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China Report

ECONOMIC AFFAIRS

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18 April 1986

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NATIONAL POLICY AND ISSUES

ECONOMIST HAILS NEW ECONOMIC SYSTEM AT NPC PANEL

OW291508 Beijing XINHUA in English 1454 GMT 29 Mar 86

[Text] Beijing, 29 March (XINHUA) -- Leading economist Xue Muqiao today supported the government plan to establish a new economic system in the next five years.

Speaking at a panel discussion here this afternoon, Xue, a deputy to the National People's Congress, said that China should not allow the two economic systems, the old and the new, to operate in tandem, as they are now doing, for too long. Still less should people slide back to the old way of doing things, simply because problems are showing up during this transition from the old system to the new.

He said that people should be prepared for the arduous and complex nature of the task of completing the transition, as underlined in Premier Zhao Ziyang's report to the current NPC session earlier this week.

Xue Muqiao, whose career as an economist has spanned more than half a century, explained that some aspects of economic life may get out of control temporarily in the circumstances in which the old methods of directing the economy have been relaxed while the new methods have not yet been fully worked out in their place.

He pointed out that the way to solve this problem was to improve the new methods of control as soon as possible. In case, old methods should be used temporarily to clear the confusion resulting from the inadequate new methods, they were meant to win time needed for improving the new methods.

This was the case with the last quarter of 1984, when the control over credit got out of hand, he added.

As to how to prevent overheated industrial growth, the economist said that the fundamental cause lies in the excessive growth of funds for capital construction. One would be putting the cart before the horse if one tried to tackle the problem by curbing production growth rather than checking the spending on capital construction, for that would aggravate the shortage of the means of production and consumer goods, he pointed out.

It is the consensus among international specialists, he noted, that socialist countries engaged in economic reforms are likely to suffer a kind of syndrome, termed "investment hunger." This is not an inevitable law, he stated. "Rather, it can be averted if the reform planners remain sober-minded."

Xue forecast that China would top the proposed annual industrial growth of eight percent this year.

The growth rate may reach ten percent or so, he predicted, "this may be the ideal rate."

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NATIONAL POLICY AND ISSUES

ECONOMIST CLAIMS 'BREAKTHROUGH' FOR PLANNED, MARKET ECONOMY

OW310414 Beijing XINHUA in English 0304 GMT 31 Mar 86

[Text] Beijing, 31 March (XINHUA) -- China's socialist commodity economy has accommodated two traditionally conflicting economies, the planned economy and the market-force or commodity economy, a noted Chinese economist said here today.

"This is a daring practice, and represents a theoretical breakthrough," said Wu Dakun, vice president of the Chinese Society of World Economics, who is attending the ongoing annual session of the National Congress (NPC) in Beijing.

"They have long been considered antagonistic," said Wu, who is also an economics professor at the Beijing-based People's University, "but China has successfully brought them together."

The reason why theoreticians set planned economy against commodity economy, he said, is that they held the former as socialist while regarding the latter as capitalist.

this traditional concept had long confined the ideological imagination of Chinese socialists, according to Wu.

Wu's view is shared by many practical economic workers at the NPC session. One from Jiangsu Province, East China, said that China launched several reforms before, but since they largely skirted around the division of power between the central and local governments, they came to no avail.

He attributed the root cause to the negation of the socialist economy as a commodity economy and the ensuing efforts to accommodate all economic activities in centralized plans and to implement the plans merely by administrative instructions.

On the contrary, according to the economic workers from Jiangsu, the current reforms -- which have proceeded from the rural household responsibility system to the expansion of decision-making power in industry and other sectors of the economy -- have been turning various enterprises into relatively independent commodity manufacturers and dealers, thus giving the workers an

incentive to work hard and invigorating the intrinsic energy of the socialist commodity economy.

This, in their view, has made a breakthrough at the heart of China's reforms and thus led to notable progress.

Professor Wu and these practical economic workers all favored the view Chinese Premier Zhao Ziyang put forward least Tuesday on the development of a socialist economy in his report to the National People's Congress.

"A fully-developed commodity economy is an indispensable stage of a society's economic development," Premier Zhao said in his report. "In the historical period of socialism, and especially in an underdeveloped socialist country like China, ...it is necessary to develop a commodity economy."

To bring about a rapid transformation of small-scale production to socialist large-scale production, professor Wu commented, the commodity production must be developed vigorously to apply the law of value to the transformation.

However, the professor pointed out, the commodity economy China is trying to develop differs from the capitalist commodity economy in that the Chinese economy is based on public ownership and is planned on that basis. This is the distinctive feature of a socialist commodity economy.

Public ownership, Professor Wu said, guarantees that the small producers will be organized in socialist collectives and obtain common prosperity rather than risk bankruptcy, as may happen in a capitalist society.

The purpose of socialist commodity production, according to Wu, is to raise the living standards of all people, whereas that of a capitalist commodity production is to make profits for individuals and concentrate wealth in the hands of a small number of people.

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NATIONAL POLICY AND ISSUES

NPC DEPUTIES WANT 'COMPREHENSIVE' REFORM PLAN

OW010844 Beijing XINHUA in English 0818 GMT 1 Apr 86

[Text] Beijing, 1 April (XINHUA) -- Several leading deputies to the National People's Congress said today an additional comprehensive plan should be developed linking China's economic restructuring to reforms in other areas such as science and education.

Deputies interviewed agreed that experienced reformers from a wide range of enterprises and institutions should be invited to a national conference to draft the plan.

They said the conference should also include state, provincial and municipal officials, scholars in relevant fields, and others with expertise involving legislation, finance, banking and planning.

They shared the view that the proposed reform plan will help accelerate the transformation of China's old economic structure into a socialist commodity economy.

Meng Fulin, vice-governor of Anhui, told XINHUA wholesale reform of the economic structure will not progress smoothly until it is accompanied by reforms in other areas.

"The restructuring of the economy and reforms in science, technology and education are interrelated and promote each other," he said. "They should be harmonized."

And, he said, "there must be reforms in the way government offices go about their business -- particularly when that business involves managing the economy."

According to Meng, reforms in all areas of Chinese society "involve common issues, such as personnel training, the personnel management system, discipline inspection and legislative supervision."

Throughout China, he said, "it is the present status of these issues that clashes with the economic restructuring."

Shaanxi Governor Li Qingwei said economic reforms can be enforced one at a time, but they must be well-coordinated. "In the past," he said, "reforms were too often formulated from only one perspective, without attention to the need for synchronizing far-reaching changes."

Hebei Vice-Governor Li Feng said officials must keep in mind that the unprecedented restructuring of the economy "does not involve only economic sectors."

For that reason, he said, the restructuring "must go hand in hand with reforms in other areas, including personnel management, planning, administration, finance, banking, taxation, foreign trade, science, technology and education."

An example of uneven development of reform, he said, is the lack of adequate personnel management at the Kailuan coal complex, which produces 40 percent of Hebei's coal output and employs one million people.

"If this state of affairs remains unchanged," he said, "major enterprises can hardly be able to become economic entities with full authority for management" consistent with the national economic reform. In that case, he added, it would be almost impossible for them to carry out reforms of their own economic structure.

Li Feng strongly suggested that a comprehensive plan be drawn up to coordinate various reform schemes.

Meng Fulin, Li Qingwei and Li Feng all said they agreed with Premier Zhao Ziyang that departments in charge of economic coordination must be streamlined.

Meng and Li Feng both said the comprehensive reform plan should be drafted as soon as possible, and that previous reform experience is sufficient to make the plan practical.

Still, they said, strategies for comprehensive reform should be carefully developed and tried out in a few cities before they are implemented nationwide.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON MANAGEMENT OF SHORT-TERM CREDIT BANKS

HK011521 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 86
pp 49-52, 74

[Article by Liu Shikun [0491 1102 3540] of the Rural Financial Research Institute of the Guangdong Provincial Branch of the Agricultural Bank of China:
"Reform and Management of Short-term Credit Banks"]

[Text] A short-term credit bank is a specialized bank engaging principally in short-term credits and loans. At present, China's Agricultural Bank and the Industrial and Commercial Bank are both short-term credit banks. In the past, due to the traditional influences of the economy and the supply system of funds, the banks were subjected for a long period of time to an administrative type of management and control. The speed and rotation of funds was overlooked, resulting in large amounts of short-term credit and loan funds being effectively out of circulation and tied up in fixed assets and over-storage and stock-piling of goods. These drawbacks are hardly consistent with the character and tasks of short-term credit banks. Hence, they must be removed in a rational manner in the reform of the economic structure and in management and control

I. Banks Must Operate Like Enterprises in Accordance with the Laws of a Commodity Economy

Modern banking is a product of the development of commodity economy and the deepening of social division of labor. The more prosperous the commodity economy becomes, the more intensive are the centralization and merging of funds by the banks. If a commodity economy slackens, banking business will likewise decline. On the other hand, banks also play an undeniable role in the regulation and restriction of commodity economy. Whether the money market is tight or loose, whether the interest rate is high or low, whether the funds are versatile or not, and whether management is liberal or strict, all can affect the development of commodity economy and bring about a complex chain of reactions. Thus, banks and commodity economy are closely interrelated and bound up with each other.

However, in our country, the previous administrative type of management structure was in close coordination with the form of product economy and the supply system of funds then in vogue. The administrative type of banking structure is for the purposes of the state's responsible departments grasping or making a

unified distribution of the major products and the whole or the greater portion of the material resources, or placing them in reserve. Hence, it highly regarded an adequate supply of material resources and overlooked the economic benefits, highly regarded the distribution of funds but overlooked their turnover. It did not work in conformity with the laws of commodity economy and was not suited to the development of the commodity economy. Economic practices both in China and abroad have amply shown that banking structure should closely follow the development of the economy and that under the conditions of a commodity economy, banks should operate like enterprises. The great development of our socialist economy requires a suitable and versatile system. An important task before us now is to earnestly reform the structure of short-term credit banks. An enterprise type of management should replace the administrative type of management. Only through adopting the enterprise type of management can the banks have "internal motive power and external pressure," and be full of vitality.

II. Closely Grasp the Conversion of Short-term Credit Banks to Enterprise Type of Management

The direction of reform is the transition of the banking structure from the administrative type to the enterprise type and the conversion of specialized banks into economic entities. However, after the loss of control over credits and loans in 1984, some comrades believed that an important reason for the loss of control lay in the banks seeking profits and, as a result, they have maintained an attitude of reserve in regard to the banks becoming enterprise-like. In reality, the loss of control over credits and loans in 1984 has precisely enlightened us that we should tightly grasp the reform of the short-term credit banks through making them operate like enterprises.

Under the administrative type of management structure, banks in our country have for a long time carried out the principle of the unified planning of funds and the centralization of losses and profits. On the surface this looks like a manifestation of banking work being centralized and unified, whereas in reality it is like everybody eating from the same big pot. If it is said that the rank-and-file industrial and commercial enterprises are enterprises all eating from the same big pot at the expense of the state and that the staff members and workers are doing so at the expense of the enterprises, then, in addition to this, in the case of the banks, their branch and sub-offices throughout the country are eating from the same big pot at the expense of the head office. A system of this kind does not encourage the banks in various localities to balance their own accounts but encourages them to seek a larger portion of the big pot of funds. This has caused the localities to compete with each other for credit and loan funds and the banks at lower levels to seek to enlarge the scale of their credit and loan business and to increase the number of projects and investments in fixed assets, thus stepping up the economic development of their localities. This may be said to be the diversification trend existing in centralization and unified planning. Once this trend is fueled by relevant conditions such as lax management and overheated investment, control over credit and loans can easily be lost. Hence, basically speaking, loss of control over credits and loans and loss of control over investment are two aspects of the same problem. Their occurrence is related to the practice

of everybody eating from the same big pot but does not necessarily follow from the banks seeking for profits. The serious loss of control at the end of the 1950's occurred under historical conditions where the banks were not striving for profits.

The loss of control over credits and loans in 1984 occurred when the banks had already enforced the practice of retention of profits. Hence, it cannot be said that banks in various localities never had the profit incentive in expanding the scale of credits and loans. But this profit incentive alone could not have caused the serious loss of control. The main causes for the loss of control were, outside the banks, the inflation in investment demand generated by the super-speed economic development, and, inside the banks, the lack of thoroughness and lack of coordination in the reform of the structure. The so-called lack of thoroughness refers to the failure to break the practice of everybody eating from the same big pot in regard to funds and finance, and failure to allow the grassroots units which really handle the business operations to truly become enterprises which seek to balance their own books and are responsible for their own profits and losses. By the lack of coordination mentioned above, is meant that while the units at the grassroots level which in reality handle the operations do have a certain degree of decisionmaking power in the operations and enjoy a definite ratio of the profit retention, they do not bear the responsibility for any losses of the funds, that is to say, they have the power and benefits but bear no responsibilities and, as a result, are insufficiently concerned with the safety factor and the circulation of the funds (including even administrative and legal responsibilities), this responsibility system itself will ipso facto perform the function of microcontrol in unanimity with macrocontrol.

Thus, the problem is not that the banks should operate like enterprises but that they have not yet truly operated like enterprises. From now on, the measure of stepping up macrocontrol is not returning to the former road of the administrative type of management. Naturally, the necessary and important nature of the administrative type of management of finance and currency is publicly acknowledged throughout the world. Moreover, legislation is necessary and management and control must be according to law. But management of the banks, like management of other economic bodies, must mainly and substantively rely on economic measures. And the key to using economic measures in banking control lies in breaking the practice of everybody eating from the same big pot, making the banks operate like enterprises, carrying out the principle of the unanimity of responsibility, power, and benefit but with "responsibility" dominant, and employing a systematic method to readjust the relationship between the economic interests of various sides. This will strengthen the whole function and orderliness of the system, overcome the trend of diversification, facilitate the banks at various levels acting rationally, and enable the banks' operations to become more suited to the guidance of the state's overall policies and to regulation of the whole economy. The state must establish an indirect macrocontrol mechanism over the national economy, and in this regard, banks are an important factor to be considered. Hence, [word indistinct] to tightly grasp and carry out the reform aiming at making the short-term credit banks like enterprises so as to create the conditions for the smooth enforcement of indirect macrocontrol.

III. Important Forms in the Reform to Make the Short-term Credit Banks Operate Like Enterprises

1. Making sub-branches serving as basic accounting units which operate like enterprises? If it is recognized that in carrying out the practice of profit-retention the banks may ipso facto be regarded as having operated like enterprises and if the practice of everybody in the whole bank eating from the same big pot is not touched at all and the bank's head office still makes a unified plan for the funds, centralizes all losses and profits, carries out the calculation and delivery of profits in a unified manner and distributes the profit-retentions level by level, then the movement to make the banks operate like enterprises would seem to apply only to the head office.

This would be disadvantageous to arousing the working incentive of the banks at lower levels, to readjusting and smoothing the economic interest relationships between the various levels and various regions, and particularly so to unifying responsibility, power and interest at the grassroots units, which really handle the operations, as measures to step up macrocontrol and prevent the loss of control over credits and loans.

In my opinion, to make the banks operate like enterprises, emphasis should be laid on the grassroots units which actually handle the banking operations, that is, the sub-branches and the offices performing the functions of sub-branches. The reform should aim at making the latter, under the state's planning and management, become basic accounting units which are capable of independently operating like enterprises. They must be allowed to possess a definite amount of funds assigned by the state, enjoy the status of legal entities, and able to independently produce balanced accounts, to be responsible for their own profits and losses in finance, to have decisionmaking power in business, and to bear the burden of risks by themselves.

2. Banks at controlling levels should also engage in actual business operations and operate like enterprises.

Simultaneously with the grassroots units operating as enterprises, offices at the controlling level such as the head office, various provincial, municipal and autonomous regional branch offices, second grade branch offices, and central sub-offices should correspondingly reduce their administrative and management functions, strengthen their role in research and information collection and their advisory functions, directly handle those projects which the units at the grassroots level are unable to tackle, such as large and medium-sized credits and loans, trust businesses, rent and lease matters, joint loans with currency and financial syndicates, and also joint operations with bank offices at the lower levels.

3. Breaking the practice of everybody eating from the same big pot in regard to funds and seeking self-balancing of accounts.

The funds of accounting units at the grassroots level should be based on the principle of self-balance, supplemented by loans from the People's Bank and short-term horizontal loans. To accomplish this, the following measures should be adopted:

a. Fixing anew the state-provided funds of accounting units at the grassroots level.

In the past, the banks already had state-provided credit and loan funds, but in order to have a good business accounting system, it is necessary to make a renewed and rational fixing of the state-provided funds of the various accounting units at the grassroots level to comply with the requirements of their acting in the capacity of enterprises. The state-provided funds should include fixed funds and circulating funds. The former is for use in procuring or building the necessary facilities (including logistics and livelihood facilities) and fixing of the funds should be based on the current basic demands. The latter is for use in all banking businesses and should be fixed principally according to the economy and the business conditions of the locality. As for localities which are economically undeveloped and which have experienced a slow growth rate in the deposit business, they should be given favorable consideration according to the circumstances.

Accounting units at the grassroots level should have long-term possession and use, with compensation, of the state-provided funds. The compensation paid for possession and use should be part of the cost of production but the fees should be lower than the lowest interest rates on deposits. The accounting units at grassroots level should guarantee that the state-provided funds would be kept intact and would not be reduced or offset without prior approval from the higher levels. Condition of the state-provided funds should be taken as the basis [word indistinct] and examining the operation results of the units.

b. Controlling and gradually reducing unified planning and readjustment; promoting efforts to seek self-balancing.

Units with a debit balance should have for their own use and operation by far the greater portion of their newly increased deposits (net amounts), apart from setting aside and delivery of the reserves. Their funds formerly possessed and used by units with a credit balance should be gradually claimed back for their own use.

Units with credit balances should be differently treated according to their different conditions. Units in regions which are economically more developed and where the deposit business grows relatively rapidly should seek self-balance within a short period of time. In regions which are economically undeveloped and where the deposit business is growing rather slowly, the units should be allowed a transitional period to gradually realize the self-balancing of their accounts. Temporary difficulties which units experience in doing this should be overcome principally through seeking loans from the People's Bank and through discounts and loans made horizontally, aside from the controlling offices continuing to make unified planning for a portion of the funds needed. Since the interest rates on discounts are usually higher than those on adjustment and regulation loans and those on regular deposits and the discounts usually call for a short repayment period in addition to having a string of conditions attached, the units should be encouraged to speed up the turnover of funds and earnestly seek more deposits. At the same time, this will help in regulating the supply and demand of funds and smooth the economic interest relationships between units with credit balances and units with debit balances.

c. Establishing and accumulating self-owned funds.

Business accounting units at the grassroots level should set up and accumulate their self-owned funds (including self-owned fixed sinking funds and circulating funds) from their own profit-retentions. Self-owned funds and state-provided funds should be subject to separate accounting. No charges shall be made on the possession and use of self-owned funds, but they cannot be taken out or transferred elsewhere.

4. Breaking the practice of everybody eating from the same big pot in finance and being responsible for own profits and losses.

The original method of the head office centralizing the losses and profits, calculating the profits, and subsequently distributing the profit-retentions should be replaced by the method of the accounting units at the grassroots level separately offsetting their expenditures with receipts, calculating the profits and losses, directly paying taxes (including business tax, income tax and regulation and adjustment tax) to the state according to the regulations, paying to the controlling offices management fees and a portion of the after-tax profits, and ultimately retaining the balance of the profits for their own use. Bad debts incurred in the course of the operations and losses which cannot be entered into the cost of production should be offset from the profit-retention of the units.

Controlling offices at various levels directly engaging in businesses should be treated in the same manner as business accounting units at the grassroots level. They should offset their expenses from receipts, be responsible for their own profits and losses and separately calculate the deliver their taxes and profits.

5. Suiting measures to time, to locality, and to market; operating autonomously and carrying the risks.

Since the accounting units at grassroots level have the responsibility of ensuring that the state-provided funds remain wholly intact and that the deposits and other borrowed funds will be repaid according to schedule and are financially responsible for their own profits and losses and since it is extremely important, in the course of the development of commodity economy, to suit measures to time, locality, and market, they must be allowed to autonomously operate in business and to bear risks by themselves. Controlling offices at various levels and other organizations should respect their decisionmaking power and should not force them to grant loans.

The state should by means of law and ordinances clearly stipulate the rights and obligations of accounting units at the grassroots level in their business operations. Rigid restrictions should operate on the risks (including the maximum amount of loans) they can bear, so that there are laws to follow and ordinances to regulate management and control. Controlling offices at the higher levels and People's Banks in the localities should also strengthen their supervision and inspection over them and audit and check their accounts.

IV. Short-term Credit Banks Should Treat the Circulating Character of Funds as Their Lifeline

In the operation and management of short-term credit banks, a key problem is the circulation character of funds. The intrinsic character of short-term credit funds lies in their continuous rotation and circulation. If the rotation is not smooth, then it is a signal that a portion of the short-term credit funds have changed their character, are no longer circulating as short-term credit funds and have become locked-up.

This portion of locked-up funds which has ceased to circulate is principally held up at two points: 1) Overmatured fixed asset investments and from this the increase in the basic level funds of the enterprises; and 2) Overstorage and stock-piling of goods. Naturally, there are other things responsible for holding up the funds, but often it will ultimately appear that these two aspects are mainly to blame.

Seen from the angle of the rotation of the social aggregate funds, the above-mentioned holding up of funds by fixed asset investments signifies that the proportion of the social aggregate funds held up by fixed assets has increased too rapidly while the over-storage and stock-piling of material goods signifies that the circulation period has been lengthened. Both of them play the role of slowing down the rotation period of the social aggregate funds. In so far as the rotation of the short-term credit funds is concerned, the holding up of funds in the above-mentioned [word indistinct] not only lowers the circulation character of funds but also impedes the rotation process. If this situation is allowed to develop, then the grassroots units of certain banks may encounter a tight money market and find it difficult to procure funds.

Compared with ordinary industrial and commercial enterprises, short-term credit banks have a greater need to be able to provide a sizable amount of funds in the event of urgent market requirements because they not only must ensure prompt payment, promote exchange, and prompt clearing of accounts but must also provide reserves to meet the contingencies of a tight money market. Hence, they must maintain a high degree of liquidity and take the circulating character of funds as the life line in their operations. Aside from gradually enlivening funds already held up, along with making themselves operate as enterprises, most importantly they should strive to improve their operation and management, guard against any new holdup of funds and speed up their turnover.

1. Stressing the time limit of credits and loans. Loans will no longer be classified according to their uses (such as loans for production expenses, for production equipment, for commodity circulation, for circulating funds, capital construction loans, and so forth) but according to the length of their duration. Loans with a duration period of 1 year and below 1 year belong to the category of short-term loans; loans for over 1 year and below 3 years belong to the category of medium-term loans; and loans above 3 years in duration are categorized as long-term loans.

The scale of loan interest rates should also be readjusted according to the duration of the loans. Short-term loans will bear low interest rates while

higher interest rates will be charged on loans for longer periods. It is also conceivable that if repayment of a loan is past the originally stipulated period, the interest rate charged will be on the period up to the time of repayment. Marking up the interest rate of long-term loans offers the advantages of taking good projects and rejecting poor projects, preventing inflated investments and random setting up of shops or business.

2. Short-term loans should be divided into two categories. One category consists of loans for less than 6 months and the other category, loans for over 6 months, up to 1 year. In operations and management, the proportion of these two categories should be closely watched. In general, loans for [word indistinct] months (including short-term discounts) should make up a large proportion of the total amount of short-term loans.

3. Short-term credit banks may grant a small amount of medium-term loans for technical transformation, but the top limit of these loans should be subject to the discretion of the controlling offices and the People's Bank. Within the top limit, accounting units at the grassroots level may decide on whether to grant or not to grant, how much to grant and to which units to grant.

4. Short-term credit banks should stop granting long-term loans. This includes: 1) No more arrangements for special loans exceeding 3 years in duration; 2) No longer granting long-term loans under the pretext of short-term loans; 3) no longer granting short-term loans to those enterprises which use circulating funds (including loans for circulating funds) to finance fixed asset investments, until this state of the irrational possession and use of funds has been rectified; as for loans which have been irrationally used, fines in the form of penalty interest rates should be levied and the loans should be recalled; 4) short-term credit banks will not grant loans to projects which are not listed in the state's capital construction appropriations plans or plans for capital construction loans and which depend on short-term loans to start construction and repay the loans in the form of tax or profit delivery after the products begin operation.

5. Operation policies on short-term loans, particularly commercial loans, should be built on the foundation of economic information and economic forecasting, oriented toward the market and suiting measures to market conditions.

1) Actively supporting the readjustment of the industrial structure, suiting the variety, design and color, quality and prices of industrial and agricultural products to the demands of the internal and external markets. 2) Improving the management of commercial loans through adherence to the principle of "determining loans by means of the marketing conditions" and upholding the spirit of shortening the circulation period and reducing the holdup of funds. 3) Stepping up credit investigation and refusing to grant loans to units with poor credit rating or which are basically devoid of the conditions for seeking credit loans and also refusing to grant loans to commercial operations of a speculative character.

6. The operation and management of accounting units at the grassroots level of short-term credit banks should focus on the handling of funds and emphasis

should be laid on the following: 1) Shortening the rotation period. This should be carried out through enforcement of the operation responsibility system and heightening the management level. The remittance balances of associated offices constitute an organic constituent part of short-term loan funds. The existing method of settlement of remittance balances does not help in speeding up turnover or smoothing the economic interest relationships between the receiving and sending banks and may even cause the breaking of the "payment chain" at various points which would seriously affect the rotation of social gross funds and operation of national economy. Hence, aside from making a unified study improvements in this connection, the various accounting units at the grassroots level should tightly grasp this important link and strive to seek funds and turnover speed from reducing the remittance balances. 2) The forecasting and planning of funds should be improved and perfected. Accounting units at the grassroots level of banks should stand firmly on seeking self-balancing, perform a good job in estimating short-term funds, and in forecasting of funds per season and per month, and making weekly pre-arrangements of funds. 3) The financial condition of units seeking and making loans should also be watched closely.

7. Increasing the short-term fund raising schemes which are helpful to augmenting the circulation character of funds. At present, we may consider the institution of the system of bill discounting and granting loans guaranteed by securities. Regarding the former, an ideal condition is that the People's Bank will concurrently institute a rediscount system. In regard to the latter, the securities for loans should consist of movable properties which can readily be converted into cash. At the same time the necessary legal procedure and forms should be well arranged beforehand.

8. Short-term credit banks cannot provide all the circulating funds that an enterprise needs. This is because an enterprise's circulating funds really consist of two parts. One part is the basic-level funds which the enterprise constantly uses and the other is the turnover funds which the enterprise temporarily uses. According to their nature, the latter are short-term loans while the former are not. The demarcation in the past was not thorough enough resulting in the phenomenon that under the conditions of over-heated fixed asset investments "thousands upon thousands of enterprises deal in fixed assets while the banks alone work wholly on the circulating funds." This is one of the reasons for a portion of the short-term loan funds going out of circulation. From now on, it is necessary, simultaneously with further improving and perfecting the management structure of circulating funds, to clearly demarcate the scope of short-term credits and loans.

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ECONOMIC PLANNING

LIAONING GOVERNOR ON SEVENTH 5-YEAR PLAN

SK032130 Shenyang LIAONING RIBAO in Chinese 20 Mar 86 pp 1, 2, 3

[Report on the "Outline of the Liaoning Provincial Seventh 5-Year Plan" given by Provincial Governor Quan Shuren at the Fifth Session of the Sixth Liaoning Provincial People's Congress on 12 March 1986]

[Text] Fellow deputies:

The Fifth Session of the Sixth Provincial People's Congress is being held when the Sixth 5-Year Plan has been successfully fulfilled and the Seventh 5-Year Plan is to begin. Now, entrusted by the provincial People's Government, I will give a report to this session on the outline (draft) of the provincial Seventh 5-Year Plan for your examination and discussion.

1. The Overall Fulfillment of the Sixth 5-Year Plan Has Created Favorable Conditions for the Fulfillment of the Seventh 5-Year Plan

During the "Sixth 5-Year Plan" period, under the leadership of the CPC Central Committee, the State Council, and the Liaoning Provincial CPC Committee, governments at all levels throughout the province conscientiously carried out the Marxist line adopted at the 3d Plenary Session of the 11th CPC Central Committee, eliminated the influence of "leftist" ideas, straightened things out to bring back order, implemented the party's various policies, and put into effect the eight-character policy of "readjustment, restructuring, consolidation, and improvement," and the general policy of "enlivening the domestic economy and opening to the outside world." Thanks to the arduous efforts of the people of various nationalities throughout the province, the Sixth 5-Year Plan was prefulfilled, the vivid political situation of stability and unity was consolidated and developed, and a new period of the most dynamic economic development was ushered in.

The economic structural reform, which was carried out gradually across the board, has instilled vitality and vigor into the economic development. The economic structural reform was initiated in the rural areas with the wide application of the responsibility system with household output-related contracts as its major form, and then followed by the restructuring of production. It sparked the socialist enthusiasm of the masses of peasants, emancipated the rural productive forces, and created successful experiences. With the inspiration of the rural economic reform, we conducted many explorations and experiments in the urban

economic reform. Since the 3d Plenary Session of the 12th CPC Central Committee, when a decision on reform of the economic structure was made, our province has carried out the urban economic reform across the board, and entered a new stage in the economic reform. In the urban reform, we streamlined government administration and delegated power to lower levels with the aim of invigorating enterprises, large and medium-sized ones in particular; carried out coordinated reforms within enterprises; and enhanced the vigor of enterprises. Cities opened their doors wide, performed their multipurpose functions, and vigorously developed lateral economic cooperation. Groups of cities for economic and technological cooperation were established in the central, coastal, and western parts of the province with Shenyang, Dalian, and Jinzhou as their centers. Our province also established economic and technological cooperative relations with 27 provinces, municipalities, and autonomous regions. Last year we also took an important step forward in the reforms of the price and wage systems. We achieved new progress in the reform of the circulation system by reforming the wholesale system, opening trade centers, and lifting the control on the retail business to invigorate it. In this way, markets for consumer goods became thriving, many markets for means of production and other goods were established, and the commodity economy was further promoted. We paid attention to strengthening the control over the macroeconomy while enlivening the microeconomy. The economic reform carried out in the past few years has begun to turn the highly centralized unitary planned economy into a planned commodity economy, eliminated the long-standing rigid economic pattern, and breathed vitality and vigor into the province's economic activities.

The national economy was readjusted, and the relations among the major sectors of the economy became more balanced. During the "Sixth 5-Year Plan" period, we accelerated the development of agriculture and light industry, and increased the varieties and upgraded the quality of heavy industrial products, thus expanding the scope of services, and gradually rationalizing the proportions between agriculture and industry and between light industry and heavy industry. During the 5-Year period, the agricultural output value registered an average annual increase of 11.4 percent and the light industrial output value 10.1 percent, greatly exceeding the growth of 6.7 percent registered in heavy industry. The proportion of agricultural output value in the total industrial and agricultural output value rose from 11.3 to 17.6 percent, and that of light industrial output value in the total industrial output value from 32.4 to 34.3 percent. The ratio among agriculture, light industry, and heavy industry during the "Fifth 5-Year Plan" period was 11.7 to 25.2 to 63.1, which was changed into 17.1 to 29.2 to 53.7 during the "Sixth 5-Year Plan" period. The strained situation in energy and communication was alleviated. During the past 5 years we increased our coal mining capacity by 4.42 million tons, crude oil exploiting capacity by 5.55 million tons, installed power generating capacity by 950,000 kilowatts, and port cargo handling capacity by 960,000 tons.

A sustained and steady increase was achieved in the national economy, leading to an increase in economic results. During the "Sixth 5-Year Plan" period, the total social product, the total industrial and agricultural output value, and the national income showed an annual average increase of 8.6 percent, 8.5 percent, and 10 percent respectively, overfulfilling the planned targets. A new situation in which the national economy developed in a sustained, steady, and

coordinated manner emerged. Thanks to the readjustment of the national economy in the first 2 years of the "Sixth 5-Year Plan" period, the industrial and agricultural output value began to rise again from 1983. The total industrial and agricultural output value increased by 11.7 percent in 1983, 12.6 percent in 1984, and 13.4 percent in 1985. The situation in which the total industrial and agricultural output value experienced major ups and downs in the past was changed. Agricultural production steadily increased and comprehensive development was made in agriculture, forestry, animal husbandry, sideline occupations, and fisheries. From 1983, the province basically balanced the purchase and sales of grain. With the concerted efforts of the people throughout the province, we conquered the exceptionally serious flood disasters in 1985. The total grain output in 1985 reached 9.76 million tons. The development of town- and township-run enterprises was accelerated, and their total income reached 14.38 billion yuan, an increase of 60.6 percent over the previous year. The total rural product was at an all-time high. The vast majority of the peasants in our province basically solved their problems in food and clothes. In the course of readjustment and reform, industrial production increased steadily. The annual average increase of industrial output value was 7.8 percent [word indistinct] higher than the target of "ensuring a 4 percent increase and striving for a 5-percent increase" set forth in the Sixth 5-Year Plan. Faster development was made in energy resources, machinery industry, and light and textile industry. The output of some durable consumer goods, including television sets, tape recorders, washing machines, refrigerators, and electric fans, that had a ready market doubled or quadrupled. The quality of products further improved. Over the past 5 years, 339 industrial products won state gold and silver quality prizes. The profits and taxes realized by the state-owned industrial enterprises reached 47 billion yuan, an increase of 5.13 billion yuan over the "Fifth 5-Year Plan" period. The turnover period for working funds was shortened. Labor productivity improved. Better achievements were made in economizing on energy resources. The downward trend of revenue was reversed from 1983. The local revenue in 1985 was 7.942 billion yuan, an increase of 17.1 percent. Revenue and expenditure were balanced with a little surplus. Thus, we basically realized the task of fundamentally improving the financial and economic situation.

Along with the greater development of the work of opening to the outside, our province's economy was turned from domestic-oriented to foreign-oriented. A new situation in using foreign funds and importing technology was created. Over the past 5 years, the province signed 2.765 agreements and contracts on economic and technological cooperation with foreign countries, involving \$1.625 billion. Of this, 430 agreements, representing \$470 million, involved use of foreign funds. Channels for using foreign capital and importing technology were increasingly expanded. Thus, a good start in technological transformation was made, the pace of technological transformation was accelerated, and the enterprises' technological level was upgraded. Ceaseless progress was made in import and export trade. Last year, foreign exchange earned by Dalian port reached \$5 billion, about 20 percent of the country's total. Foreign exchange earned by the province from exports in the "Sixth 5-Year Plan" period showed an increase of 89 percent over that of the "Fifth 5-Year Plan" period. The volume of purchases of export commodities showed an annual average increase of 6.9 percent. The province opened up markets for undertaking projects in

foreign countries on a contract basis and conducting labor cooperation with them, and gained much experience from this. Over the past 5 years, the province received 32,000 groups of foreign guests, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan, involving more than 170,000 persons. The province has established economic and technological cooperation ties and trade contacts with more than 130 countries and regions in the world, and has established friendship ties with 19 states and prefectures of 6 countries. The 13 cities under the jurisdiction of the province are among the list of open areas. Seven ports have been opened to the outside world. Dalian City is among the 14 coastal open cities. Yingkou City enjoys the certain authority given to the open cities by the policies. The Dalian economic and technological development zone is under construction. Its infrastructural facilities began to take shape. Simultaneously, the province strengthened the construction of transport, communications, and urban infrastructural facilities. The improvement of the environment for investment has created favorable conditions for making Liaodong peninsula open to the outside world.

Gratifying results were achieved in scientific and technological work, and new headway was made in the educational undertakings. During the "Sixth 5-Year Plan" period, the province scored a total of 9,050 scientific and technological achievements, of which 3,690 were major achievements, 5,190 were popularized and applied to production, and 56 won state prizes for inventions. These scientific and technological achievements have played an increasingly remarkable role in economic construction. Relatively rapid progress was made in higher education. In 1985 there were 62 regular higher learning institutions of various kinds in the province, 21 more than in 1980. These institutions had a total enrollment of 95,200 students, a 52.2-percent increase over 1980. The provincial and city institutions of higher learning had a total enrollment of 42,000 students, a record year of our province. The target set by the Sixth 5-Year Plan concerning the training of competent people was fulfilled ahead of schedule. The reform of the secondary educational structure was carried out with some results, and vocational education was strengthened. The student body of the vocational middle schools accounted for 46.2 percent of the total of middle and higher schools. Adult education of various kinds has developed rapidly, and a multilayered adult educational network has already been formed. The total enrollment of universities, colleges, and secondary specialized institutes (including the universities, colleges and secondary specialized institutes for adults) reached 261,700 students, and in 5 years a total of 187,900 students graduated from these universities, colleges, and secondary specialized institutes. The task of popularizing primary education has been basically accomplished, and great achievements were scored in health care and education for children.

Improvements were made in the people's living standards and living environment. In 1985 the per-capita income of the urban families for living expenses was 689 yuan, an increase of 47.5 percent over the 1980 figure--467 yuan--thus increasing at an average rate of 8.1 percent per year. With the factor of price increases deducted, the average rate of increase was 4.2 percent. In 1985 the average per-capita rural income was 460 yuan, about a 75 percent increase over 1980. During the 1981-85 period, the total sum of urban and rural savings deposits increased by 8.28 billion yuan, showing a yearly average increase of

40.9 percent. During this period, 2.183 million urban people were newly employed. All in all, people's consumption structure has been changed; people are better fed and clothed and have more of the necessities now than they did 5 years ago; and housing conditions have been improved. During the 1981-85 period, 35 million square meters of new residential housing went up in cities and towns, 15 percent more than the total in the 23 years before 1980. The per-capita housing area was 4.2 square meters. The floor spaces of new housing in the rural areas totaled 70 million square meters, and the per-capita area of housing reached 14.4 square meters.

During the 1981-85 period, our province scored great achievements in the fields of culture, public health, family planning, sports, politics and laws, Overseas Chinese affairs, nationalities affairs, religion, people's air defense, and militia work, and also made important contributions to building the two types of civilization.

In sum, profound changes have actually taken place in the provincial economic situation during the "Sixth 5-Year Plan" period. Improvements have been made for those major problems facing us at the beginning of the "Sixth 5-Year Plan," such as the instability of industrial production, the transfer of grain from other provinces to make up for the province's deficiencies, the successive drops in revenue, and the large number of unemployed. At present, however, many factors which affect the provincial economic and social development still remain. Major indicators are: Agriculture, a basic link, is still very weak; the ability to resist and combat natural disasters is poor; the rural production structure needs to be further readjusted; the commodity economy has not been well developed; our potential has not been fully tapped; most of our present industrial enterprises have been equipped with installations at the level of the 1950's and the 1960's, and their backward technologies and aging products cry for immediate renovation and renewal; some enterprises are backward in their management and operation, product quality, and economic results; supply of energy and water and transportation service cannot meet the needs to develop production and improve living standards, and remain a weak link in developing the national economy; the urban basic facilities are backward, the urban per-capita housing area is below the national average level, the educational, public health, cultural, and sports facilities fall short of the demands of social development, and the environmental pollution is relatively serious; competent persons are insufficient; and the distribution and structure of competent persons are irrational and unsuitable for the economic development. In addition, economic development is uneven in different localities of the province; some localities have not yet changed their poverty-stricken situation; natural resources of western and eastern mountain areas have not yet been fully developed; the single-product agricultural economy in the northern province cries for immediate change; the coastal areas in the southern province should accelerate their pace in opening themselves to the outside world; some new situations and problems emerging in the economic structural reform need to be further explored and solved; relationship between various economic sectors has not been brought into better balance; and some new instabilities still exist in the economic life. All these problems have been considered in mapping out the Seventh 5-Year Plan.

2. The Basic Guiding Ideology and Major Fighting Goals for the Seventh 5-Year Plan

Liaoning was an area for construction on a priority basis during the "First 5-Year Plan" period. After more than 3 decades of construction, it has been turned into a heavy industrial base with iron and steel, machinery, petrochemical, building material, and machinery equipment industries as the pillar, and with a great number of large and medium-sized enterprises as the backbone. And it has also formed a group of cities in the central part of the province, which centers around Shenyang and includes Anshan, Fushun, Benxi, Liaoyang and Tieling, and which has concentrated industry, thriving commerce, and a fairly good foundation for science, technology, culture and education; a concentrated group of ports with Dalian as its center, and Yingkou and Dandong on either side, which includes Jinzhou and Huludao and serves as an important gateway for opening to the outside world; and also broad rural areas with abundant natural resources and fairly good natural conditions. Now the state once again designated our province as a key area for technical transformation during the "Seventh 5-Year Plan" period. It has rendered great support to our province in terms of investment and policies, and urged us to actively create favorable conditions in order to gradually open the Liaodong peninsula in all all-round manner and to make new contributions to the four modernizations of the country. This decides that the "Seventh 5-Year Plan" period is one for Liaoning, an old industrial base, to carry out overall reform and march toward modernization at accelerated speed, and also a key period for it to lay a solid foundation and create favorable conditions for the economic take-off of the second 10 years. Based on Liaoning's position and the role it should play in the four modernizations drive of the country, and on the guidelines of the proposal of the central authorities for the guidelines of the proposal of the central authorities for the Seventh 5-Year Plan and the general principle of "enlivening the domestic economy and opening to the outside world," the basic guiding ideology for our province's economic and social development during the "Seventh 5-Year" Plan period has been decided on as: persistently placing reform in the first place, and further straightening out economic relations; giving prominence to the four key aspects of technical transformation, agriculture, energy, communication and transportation, and science, technology and education; paying attention to the two key areas of improving economic results and enhancing the ability for foreign exchange earning through exports; greatly facilitating the transformation of the national economy into one with a modern technological foundation and managerial level, and into an economic result-oriented, and foreign-oriented economy; ensuring a sustained, stable, and coordinated national economic development, and enhancing the strength for economic development; greatly strengthening the building of the socialist spiritual civilization while successfully building the material civilization; and gradually improving the material and cultural lives of urban and rural people on the premise of developed [word indistinct].

In line with this guiding ideology, the major fighting goals for the province's Seventh 5-Year Plan will be: On the basis of the arrangements of the central authorities for basically establishing a foundation for a socialist economic system with Chinese characteristics, to bring the province's economy basically to the track of a planned commodity economy by the year 1990; to alleviate or basically solve the major problems which restricted economic development during

the "Sixth 5-Year Plan" period, continue to maintain a sustained, stable and coordinated development in the national economy as a whole, strive to double the province's 1980 industrial and agricultural output value ahead of schedule, achieve a marked improvement in economic results, and increase revenues by a fairly large margin; to basically complete the technical transformation of key large and medium-sized enterprises which play a leading role in the province's economy, and make their major technologies, equipment, production methods, and major products reach or close to the world levels of the late 1970's or early 1980's; to improve agricultural production conditions to a fairly great extent, and establish an initial foundation for modern agriculture; to achieve new development in some scientific and technological fields which are superior to others, and enable education institutions to provide to economic and social development a corresponding number of fairly competent personnel whose knowledge structure is comparatively rational; to basically establish the Liaodong peninsula foreign-oriented economic area with Dalian and other coastal cities as the "windows," and the group of cities, including Shenyang, in the central part of the province as the hinterland, accelerate the economic development of the western and eastern parts of the province, change the unitary agricultural economic structure of the northern part of the province, and establish initial economic patterns with their own advantages and characteristics; to fully develop the advantageous factors to establish wide inter-enterprise, inter-trade, and inter-regional lateral economic cooperation, and form a group of new productive forces; and to increase the people's income by a fairly large margin, and enable them to move from having adequate food and clothing to being fairly well-off in terms of consumption level. We should mobilize the people throughout the province to "work hard for the prosperity of the country, revitalize Liaoning, serve the whole country, go toward the world" along the road of "reform, opening to the outside world, transformation and development," and build our province into an economically developed, scientifically and technologically advanced, civilized and prosperous area with heavy industry as its major force of development, and with a balanced development of agriculture, light industry, and heavy industry by the end of this century.

If the above-mentioned goals are realized, our province's economic strength will be increased. And, by 1990, our province's total industrial and agricultural output value will be 119 billion yuan, an increase of 30 billion yuan over that of 1985 and a 2.23-fold increase over that of 1980; the gross national product will be 77 billion yuan, an increase of 28 billion yuan and an annual average increase of 9.5 percent; local revenues will reach 10.906 billion yuan, an increase of .6 percent; foreign exchange earned from exporting province-made goods will reach \$3.6 billion, a 100-percent increase over that of 1985; and the annual average income of urban workers and staff members will increase by about 5 percent.

3. Continue To Achieve the Reform of the Economic Structure With a Focus on the Urban Economy

We must constantly and persistently attach prime importance to reform, since the "Seventh 5-Year Plan" period is a key period to conduct the reform of the economic structure. In this period, we should concentrate on grasping the reform in three fields, that is, we should focus on enlivening enterprises, particularly

large and medium-sized enterprises; perfect the market system; and set up and perfect the indirect control system in an effort to realize the requirement set forth by the central authorities for "striving to basically lay a foundation for building a new-type socialist economic system with Chinese characteristics."

The reform of the economic structure with a focus on the urban economy is an extremely arduous and complicated project involving the entire society. Therefore, we must carry out the reform in a planned and step-by-step manner. First of all, we should create a good economic environment for reform in order to ensure smooth progress in reform. Development of the planned commodity economy will be promoted through reform. We should combine the reform of the economic structure with that of the scientific and technological and educational systems, and correctly handle the relations between microeconomic flexibility and macroeconomic control so as to ensure that the reform is carried out in a coordinated, orderly, and step-by-step manner. At present, we should focus on consolidating, assimilating, supplementing, and improving the achievements in reform; keep advantages and eliminate disadvantages; pay attention to solving the prominent problems; and make good preparations for taking a major step for the reform of the next 2 years.

We should continue to grasp the key link of vitalizing enterprises, particularly large and medium-sized enterprises. Some enterprises were instilled with new vitality thanks to the implementation of the policies of opening to the outside world, enlivening the economy, streamlining administrative procedures, and delegating power to lower levels in the previous period. However, only a few large and medium-sized enterprises were really vitalized. In order to further implement the policies and measures for enlivening enterprises set forth by the central authorities and the province, we should proceed from the principle of "delegating powers to factories and serving the grassroots units" to directly delegate the decisionmaking powers to enterprises. We should make up our minds to consolidate various categories of companies, particularly administrative companies; gradually allow reduction and exemption of regulatory business taxation; raise the rate of depreciation; consciously lighten the burden on the enterprises; narrow the range of mandatory planning; and continue to create external conditions for enlivening the enterprises. The enterprises should fix their eyes inward to apply well the decisionmaking powers delegated by the state, to coordinately carry out the reform work, to perfect various forms of the responsibility systems, and to balance the relations among the state, the collectives, and the individuals in distribution so as to arouse the enthusiasm of all fields. We should persistently consolidate and develop the good trend of small enterprises' reform and persistently carry out the effective policies and measures of enlivening the economy and opening to the outside world. All enterprises should focus reform on tapping their own potential and conducting cooperation so as to bring into full play their own advantages and potential and to upgrade their capacity in increasing capital, developing intellectual, meeting the demands of markets, conducting self-transformation, and making self-development.

We should vigorously develop the lateral economic integration, which is an inexorable trend in developing the planned commodity economy as well as an effective way to help enterprises tap their potential and carry out intensive management. It will not only consolidate the achievements scored at the preceding

stage of reform, but also further develop the range and quality of reform. Therefore, the lateral economic integration will have great vitality and bright prospects. There are relatively more numbers of large and medium-sized cities and enterprises, and of higher learning institutions and scientific and technological units in our province. We should make full use of this superiority to develop multilayered economic cooperation in all directions with enterprises and cities in other provinces. We should develop integrated complexes, with large and medium-sized enterprises as the backbone and with the brand-name products as the leader, to strengthen the attractiveness and [word indistinct] ability of enterprises. We should integrate the urban areas with the rural areas, let the urban areas bring along the rural areas, and accelerate the pace of unifying the urban economy with the rural economy. The three city groups, respectively centering on Shenyang, Dalian, and Jinzhou, should continue to carry forward their own favorable conditions, develop cooperation in the fields of production, circulation, science and technology, and competent persons, and promote the development of the local economy. Proceeding from the realities, and in line with their needs and capabilities, the province as well as all cities and counties should actively organize economic and technical cooperation and integration with places in and outside the province; and should strengthen the organizational leadership to improve the planning, management, and coordination work at each level in order to serve the fulfillment of the Seventh 5-Year Plan. We should formulate policies and adopt measures to support and encourage integration. Those problems concerning loans, investment protection, transfer of output value as well as profit and tax, profit distribution, and the mediation and arbitration for economic disputes should be solved through economic and legal means.

We should actively establish and improve the socialist market system, and further enliven the circulation channels. The impeded circulation constitutes a conspicuous problem which hinders the development of the planned commodity economy. We should actively develop various kinds of markets, and expand the consumption means markets. We should continue to develop and improve the diversified economic forms and operational methods, with the state and cooperative commerce as the predominance, should establish a circulation system with many channels but fewer intermediate links, and should manage well trade centers and agricultural and sideline product wholesale markets. We should actively establish the agriculture-industry, the agriculture-commerce, and the agriculture-industry-commerce enterprises on a trial basis, and develop some new commercial forms. We should continue to deepen the reform of supply and marketing cooperatives in order to make such cooperatives better serve production in a systematic manner. We should perfect the pricing reform which has already been initiated, should pay attention to solving those new problems emerging after the decontrol of prices of agricultural and sideline products, and should attend to the reform of pricing systems and pricing management systems in line with the arrangements of the state. State-run commercial units should play a leading role in participating in the market regulation, and should adopt effective measures to stabilize the prices of vegetables and meat and to control the price index. Attention should be paid to socializing the commercial and service facilities. Through experimental work, we should fully tap the potential of the existing commercial facilities, and gradually make these facilities available for the whole society. More vitality and supports should be given to those state-run

and small commercial enterprises. We should gradually establish some well-equipped production means markets, and should establish some experimental centers specialized for selling steel products and other production means. Ceiling prices should be set for steel products in order to control the overall level of the production means prices. We should open more and properly manage the banking, scientific, technological, and labor service markets in a well-guided and step-by-step manner.

We should upgrade the level of indirect management with the purpose of establishing and improving the indirect control system. While continuing to strengthen the control over the macroeconomy, we should pay particular attention to improving macroeconomic control. We should both continue to control the over-increased demands and improve supply in order to further enliven production. All departments in charge of economic management should put more efforts in improving macroeconomic control, enhance their ability to exercise overall indirect regulation and control over the national economy, and actively explore new ways of strengthening control, but not too rigidly, over the economy, and enlivening it without creating chaos. We should bring the amount of money in circulation and the general scope of loans under strict control, and guard against an overheated growth in consumption funds. Various measures and channels should be adopted to collect funds, and active efforts should be made to expedite the movement of capital between regions, and between specialized banks. Flexible measures for allocating funds should be adopted to accelerate their turnover. The means of payment should be improved through various means of credit. "Uniformity" in the control over funds should be changed, and flexible methods should be adopted to support, limit, or tighten, or relax the control over various trades, enterprises, and products as they deserve. We should improve fund management, and gradually establish an economic responsibility system linking funds utilization with results so as to use funds more effectively.

We should strengthen economic legislation. We should step up the revision and formulation of plans for economic legislation corresponding to the Seventh 5-Year Plan, work out drafts of laws and regulations in a planned manner, and submit them to the provincial People's Congress and its Standing Committee for discussion and approval. The various economic laws and regulations should be gradually improved, and the norms guiding economic relations and economic activities should be gradually framed in the form of law so that laws can become an important means to regulate economic relations and economic activities.

4. Accelerate the Technical Transformation of the Old Industrial Base, and Carry Out Key Construction Projects Successfully.

Our province has been designated as one of the key areas of the country for technical transformation and capital construction during the "Seventh 5-Year Plan" period. This fully showed the state's kind concern for and ardent expectations from Liaoning, an old industrial base. Our province's investment in technical transformation during the "Seventh 5-Year Plan" period will be 18.7 billion yuan, a 34-percent increase over the "Sixth 5-Year Plan" period, and that in capital construction will be 20.2 billion yuan, a 20-percent increase. The total sum will be 38.9 billion yuan, which is equivalent to two-thirds of the original value of the existing fixed assets of the province's enterprises. Whether or not we can make a success of technical transformation and

construction of key projects is a strategic issue which has a direct bearing on whether we have strength for the national economy, and on the rise and decline of the old industrial base. It will be a serious mistake if our old industrial base does not carry out fairly high-level and necessary transformation during the "Seventh 5-Year Plan" period. Therefore, we should concentrate our efforts on technical transformation.

Technical transformation is an important way to revitalize Liaoning. During the "Seventh 5-Year Plan" period we should place it in a very prominent position, grasp it firmly from the beginning through to the end, and achieve actual results in it. On the one hand, we should actively transform traditional trade and trade in which we have advantage with advanced technologies so that old enterprises can regain vigor and take on a new look. On the other hand, we should actively open up new industries and products with the achievements of the new world technological revolution so that the old industrial base can take on a new look, and narrow its gap [word indistinct] economically advanced countries. In technical transformation, we should give priority to large and medium-sized key enterprises, the enterprises which play a leading and exemplary role in the technical transformation of the same trades, and the enterprises which shoulder export tasks, focus on improving product quality, lowering material consumption, and upgrading economic results, and carry it out in a planned and systematic manner. In terms of trade, we should give priority to the transformation of machinery, electronic, metallurgical, chemical, medical and pharmaceutical, building material, light and textile, and food industries.

In terms of enterprises, efforts should be made to concentrate on conducting reforms among 226 large and medium-sized backbone enterprises, the 30 enterprises that have played a model role on their own front, and the 206 enterprises engaging in production of export products, in order to enable them to become the pillar in developing the national economy in the province. In terms of products, efforts should be made to concentrate on conducting technical innovations among the 25 "dragon head" products and 503 key products to enable the majority of them to reach the standards set at the end of 1970's and the beginning of 1980's and to enable some of them to reach the contemporary world advanced standard. Meanwhile, we should develop a large number of new products and exert efforts to exploit newly developed materials, to make a success in utilizing natural resources in a comprehensive way and conducting deep and precise processing of products in order to bring about a fundamental change in the backward situation of products throughout the province. The Tiexi industrial district in Shenyang City, which is covered by the state Seventh 5-Year Plan for conducting technical innovations among the key industrial zones, and which is also covered by the state program of pilot work to modernize industrial zones throughout the country, should exert efforts to do a good job in fulfilling the state plan and program and to bring about results as soon as possible.

In conducting technical innovations, efforts should be made not only to uphold the principle of having a high criterion and a high starting point, but also to proceed from the actual situation in the country and the province, as well as to stress applicability and practical benefits. A good job should be done in continuously introducing advanced technology, and turning the practice in the past of concentrating on introducing hardware technology and complete sets

of equipment into one of concentrating on introducing software technology, managerial methods, crucial equipment, foreign experts, technical and knowledge intensive items, productive items, and items earning foreign exchange. A good job should also be done in conducting digestion and assimilation of the introduced technology, creating something new with the introduced technology, and popularizing the technology in order to "collect all the cream of the world to foster our domestic strong point." As for the plan for conducting digestion and assimilation of the introduced items, the administrative departments of every industry and trade should take the lead in organizing the units of scientific research, designation, manufacture, and application to vigorously overcome technical difficulties. Efforts should be made to enhance or improve the macroeconomic management in technical innovations and the guidance in every industry and trade and to integrate the program of technical innovations with the structure readjustment in every industry and trade, with the structure reorganization in every enterprise, and with the work of bringing "three wastes" under control and dealing with pollution, in order to do a good job in realistically fulfilling the plan. As to the small enterprises that have a large volume of work to conduct technical innovations, we should give them a helping hand in line with the policy. Efforts should be made to extensively encourage the masses to offer their reasonable suggestions and to vigorously conduct small-scale technical innovations and updating in order to accelerate the pace of carrying out technical reforms.

Efforts should be made to bring the scale of investment in fixed assets under the control set forth by the plan, to readjust investment structure, to ensure the construction of key projects, and to concentrate on engaging in battles of annihilation. The practices conducted over the past many years have shown that only by setting forth a "vertical order" [put in order of priority] for the started construction projects and refraining from setting forth a "lateral order" [not put in priority order] for them can we accelerate the pace of building operation. During the implementation period of the Seventh 5-Year Plan, our province will still put its work emphasis on building the projects of energy resources, transport, raw material industries, and urban basic facilities. In terms of energy resources, a good job should be done in building the projects covered by the state plan, such as the 17 pairs of new coal pits, the new power plant on the Hesang Island in Dalian City, the expansion of the Liaoning power plant, the second-phase construction of the Jinzhou power plant, the construction of some heat and power generating plants in Jinzhou City. A good job should also be done in proceeding the prospecting of the Liaohe oil fields in order to increase their drilling capability, and in the preliminary preparatory work for several power stations. In terms of construction of basic facilities of transport, post and telecommunications, our province will concentrate on revamping the highway between Shenyang and Dalian cities; building the piers of Dayao Bay, Heshang Island, and Zhanyu Bay in Dalian City, and the Bayuquan pier in Yingkou City; building a new north railway station in Shenyang City, the pivotal projects of postal affairs, and the Taoxian airport in the city, and a railway between Haicheng and Xiuyuan counties; and building an ocean shipping fleet and public facilities of water, gas, and heating supplies to enable our province to have as soon as possible basic facilities and a circumstance favorable for the investment that can basically meet the need for developing the economy and enforcing the open policy. In terms of water sources, our province will concentrate on

building the Guangyinge reservoir, the conveyance system on the Biliuhe reservoir, and water facilities along the Liao He in Yingkou City, at Shifo temple in Shenyang City, along the Taizi He in Anshan City, and in Fuxin City. In terms of raw material industries and the comprehensive utilization of natural resources, a good job should be done in reforming or expanding the facilities of the Anshan Iron and Steel Company, the Benxi Iron and Steel Company, the Xinfu Iron and Steel Company, and the Ling Iron and Steel Company; and in building the 100,000-ton ethylene projects in Panjin and Fushun cities. Upon completing these key construction projects, the shortage in energy resources and the pressure on transportation will be relieved substantially, and notable changes will take place in infrastructural projects and the environment for investment. Progress in the raw materials industry will promote the development of electronics, machinery, and light industries. So, we must give priority to the arrangement of funds, materials, and goods for these key projects. In order to ensure the construction of key projects, we should go through all procedures of capital construction; that is, we should conscientiously appraise projects, strictly go through procedures for examinations and approval, and generally carry out a system of bidding or overtly bidding for the designs and construction of the projects so as to upgrade the returns on the investment.

During the "Seventh 5-Year Plan" period, the scale of our province's technological transformation and capital construction is considerably large. The task is extremely heavy. Thus, we should strengthen our organizational leadership, enthusiastically open various channels for collecting financial and material resources to solve the problems concerning the shortage of capital and materials, try to shorten construction periods, and strive to ensure the completion of the projects on schedule.

5. Persistently Take Agriculture as a Base to Promote a Great Development of the Rural Commodity Economy

Historical experiences repeatedly have shown us that predominately industrial provinces, like Liaoning, should pay more attention to agriculture and take agriculture as the foundation of the national economy.

During the "Seventh 5-Year Plan" period, we should develop the natural resources among the mountainous areas in the eastern and western parts of the province, strive to change the unitary industrial structure of the northern part of the province, and accelerate the transformation of the economic structure in the southern and central parts of the province into the trade-industrial-agricultural commodity economy. Attention should be paid to the construction of such bases, as marketable grain bases in the northern and central areas, forestry and medicinal materials bases in the eastern mountainous areas, livestock and fruits production bases in Liaodong peninsula, and vegetable and foodstuffs in the suburban areas. This will make the rural economy become more specialized, commercialized, and modernized. Crop growing areas should be 54 million mu during the "Seventh 5-Year Plan" period. The annual average grain production should reach about 14 million tons in this period. On the premise of stabilizing grain production, we should develop cash crops in a positive and step-by-step manner and make greater development in forestry, animal husbandry, sideline occupation, and fishery, and the rural industrial, commercial, transportation, construction, and

service enterprises. By 1990, the province's cotton output should reach 50,000 tons, the output of oil-bearing crops should reach 700,000 tons, that of fluecured tobacco should reach 25,000 tons, that of fruits should reach 2.2 million tons, that of meat should reach 730,000 tons, that of eggs should reach 450,000 tons, that of milk should reach 180,000 tons, and that of aquatic products should reach 700,000 tons. By 1990, the rural industrial output value should reach 18 billion yuan and ensure an annual average increase of 15 percent; and the total rural product should reach 36.8 billion yuan and ensure an annual average increase of 10 percent.

In order to realize the above-mentioned tasks, we should continue to achieve the reform of the rural economic structure and the readjustment of the rural production structure, and balance the ratio among different trades in the agricultural field in accordance with the principles of suiting measures to different trades, bringing into play their advantages, and acting appropriately in the right time according to their capabilities. On the basis of perfecting the system of contracted responsibility on the household basis with payment linked to output, we should encourage and guide the peasants to develop cooperative economy in accordance with the principle of voluntary participation and mutual benefits, perfect the service system, support the development of various forms of [words indistinct], and strive to upgrade the production level and economic results.

We should increase investment in agriculture. During the "Seventh 5-Year Plan" period the investment in agricultural capital construction directly arranged by our province will reach 554 million yuan, of which 291 million yuan will be allocated in line with the overall plan of the province and from the province's financial resources. According to the guidelines of the central rural work conference, a certain amount of the above-quota income taxes and industrial and commercial taxes collected from township enterprises should be set aside to support agriculture, and the bonus taxes from township enterprises should be returned to counties or townships, and be used for agricultural development together with the various agricultural funds from the central authorities and the province. Agricultural investment should chiefly come from the accumulation funds of agriculture itself, in addition to state allocations. We should encourage all localities to set aside a proper amount of the income of cooperative economic units as public accumulation funds, and establish the fixed asset depreciation system. The masses should be encouraged to invest in the development of various production facilities, and those who invest should be benefited. The people's banks and agricultural banks should do a good job in agricultural credit, and lend active support to the readjustment of production setup, and the agricultural technical transformation. We should successfully reform the system of credit cooperatives, and encourage the people to save more and loan more. Various rural insurance businesses should be developed vigorously. Agricultural funds should be collected from various sources. Agricultural investment should be used mainly in improving agricultural production conditions, and strengthening the agrotechnological foundation. We should conscientiously step up efforts to harness the mainstream of Liao He, and such major rivers as Hun He and Taizi He, remove obstacles from them, and reinforce their embankment, and carry out such projects as reinforcing large and medium-sized reservoirs, building auxiliary works in irrigated areas, eliminating waterlogging in the central part of the province, and preventing floods in the

eastern mountainous area. We should do a good job in afforestation, and water and soil conservation, promote an ecological balance, gradually achieve a benign cycle, intensify the technical transformation of various agricultural departments and rural industries, and the three-dimensional development of agricultural resources, and lay a solid foundation for a sustained, stable, and coordinated development in agricultural production.

We should unswervingly carry out the principle of "never slackening grain production while actively developing the diversified economy," earnestly implement the various policy measures encouraging grain production, further improve the contract purchasing system for grain and other farm and sideline products, stabilize the marketing prices of the means of agricultural production, and continue to subsidize the means of agricultural production. We should conscientiously carry out the policy to support the poor to make poverty-stricken counties and townships throughout the province change their faces. We should actively support the construction of the autonomous counties and townships of minority nationalities, and accelerate their economic development. We should successfully develop intellectual resources of rural areas, speed up agricultural technical transformation, greatly popularize advanced and applicable agricultural science and technology, establish and perfect agricultural service organizations, such as scientific research, education, information, technology popularization, and management organizations, and intensify the work of popularizing agrosience. We should attach great importance to the production and creation of farm machines, provide a series of equipment for rural development, and direct the rural economy toward commodity production, intensive operation, improvement of the strains of crops and livestock, and mechanized production. We should strictly control the land for capital construction, stabilize farmland, and strive to increase per-unit yields. We should render great support and give a free hand to township enterprise development, and correctly handle the relations between the idea of "no economic stability without agricultural development" and the idea of "no prosperity without engaging in industry." We should further facilitate urban-rural cooperation in line with the principle of taking urban and rural areas as an organic whole, and establish new urban-rural relations. We should actively encourage urban enterprises to distribute the production of their products to rural areas in order to strengthen urban-rural association and cooperation. We should vigorously promote processing of farm and sideline products and the tertiary industry persistently in line with the principle of "active support, rational planning, correct guidance, and strengthened management," so that the five wheels of townships, villages, groups, associations, and households can be turned simultaneously. Arbitrary collection of funds or fees should be strictly banned in order to lighten the burden on peasants. In the rural economy, we should also "support agricultural production with industrial enterprises." All trades and professions should continue to greatly support agriculture, and governments at all levels should adopt effective measures in the fields of personnel, material, and fund supplies in support of agriculture to stimulate agricultural development.

6. Maintain an Appropriate Rate of Growth in National Economy on the Premise of Increasing Economic Efficiency.

Maintaining an appropriate growth rate in national economy is necessary to successfully conduct the economic structural reform, to lay a good foundation

for the vigorous economic development in the 1990's, and to improve the people's living standards. During the "Seventh 5-Year Plan" period, we plan to increase the gross industrial output value at an average annual rate of 8 percent; increase the gross agricultural output value at an average annual rate of 10 percent; and increase the output value in the tertiary industry at an average annual rate of 12 percent. This is relatively suitable for the actual situation of our province. So far as the industrial growth rate is concerned, our province is an important base of our country's basic and raw materials industries. Giving consideration to the overall interests of our country, the growth rate of our province should no longer be slowed down. So far as our province itself is concerned, such growth rates are conducive to striking a comprehensive balance among energy resources, fund capacity, raw materials, and economic efficiency; to maintaining the good trend of the sustained, stable, and coordinated development of the national economy as a whole; and to creating a fine environment for the economic structural reform. A multisides survey shows that the growth rates set forth by the "Seventh 5-Year Plan" are relatively suitable for our province. Viewing the growth rate in agriculture, the gross provincial agricultural output value increased at an average rate of 11.4 percent during the "Sixth 5-Year Plan" period. Giving consideration to the serious natural disasters in 1985, which calls for a certain period of time to restore production, the growth rate in agriculture during the "Seventh 5-Year Plan" period should not be too high. However, through the readjustment of the production set-up and the popularization of science and technology, our potential for increasing production will be very great, and, therefore, it is possible for us to register a yearly average increase of 10 percent in the gross agricultural output value. Judging from the growth rate in the tertiary industry, along with the development of the planned commodity economy and the improvement of the market system, the tertiary industry will certainly develop greatly during the "Seventh 5-Year Plan" period and, therefore, the growth rate set forth by the "Seventh 5-Year Plan" for the tertiary industry is not very high.

It is necessary to develop the economy at an appropriate growth rate during the "Seventh 5-Year Plan" period, but the growth rate must be made on the premise of increasing economic efficiency. Quite a few enterprises have long suffered from fatal weaknesses such as the low quality of products, high material consumption, and poor economic results. Such situations must be changed. On no account should we pay more attention to blindly pursuing excessive speed than to improving economic and social efficiency. The "(draft) outline" calls for increasing the national income at an average annual rate of 9 percent; increasing the revenue at an average annual rate of 6.6 percent under the situation of supporting the economic structural reform and the enterprise technological transformations; and increasing the per-capital labor productivity of industrial enterprises at an average annual rate of 5 percent. The demands in this regard are relatively high. This is aimed at encouraging enterprises and economic departments to improve their management level, and to do painstaking work to ensure the increase in economic efficiency.

To increase economic efficiency, we must first improve the quality of products and cut down consumption; and the key to attain this goal is to strengthen and improve the management and operation of enterprises. Our enterprises are backward in technology, and are worse still in management. During the

"Seventh 5-Year Plan" period, we must regard the improvement of enterprise management and operation as a major content of the provincial economic work. To this end, we should attend to various kinds of basic work, and establish and improve various management, inspection, and supervision systems. We should strive to fix the consumption quota, quality standards, and operational scale. Praise or blame should be given where due. We should organize production and examine quality in strict accordance with advanced international standards, and should manage enterprises through advanced managerial means and methods, such as value engineering [jia zui gong cheng 0116 0237 1562 4453], target and cost management, overall quality management, and application of computers. Efforts should be made to upgrade management and operation, and realize the modernization of enterprise management in a planned and step-by-step manner and by stages and in groups. In the course of carrying out technological transformations, large and medium-sized enterprises should adopt advanced managerial methods to strengthen the training of their workers and staff members in order to improve the competence of their workers and staff members.

To improve economic results, we should readjust the economic structure. Only with the best structure can we create best results. In line with the actual situation of our province, we should, first of all promote the development of agriculture and light industry. Our planned agricultural growth rate will be higher than the industrial growth rate, and the growth rate of the light industry will maintain the same as that of the heavy industry. Second, we should develop the tertiary industry and the collective economy. The planned output value of the tertiary industry will reach 20 billion yuan by the year 1990, amounting to 26 percent of the GNP of the same year. Employees of the units engaged in the tertiary industry will increase from 22 percent of the total social laborers in 1985 to 25 percent. While expanding such traditional tertiary industry as commercial, catering, service and repair trades, the burgeoning tertiary industry, such as information, consultation, decoration, advertisement, tourism and labor service will be greatly developed to serve production and make the people's lives more convenient. During the "Seventh 5-Year Plan" period, we must achieve great progress in the collective economy of both urban and rural areas. The output value of the collective economy should reach 39 billion yuan by 1990, averaging an annual increase of 13 percent, and the number of staff members and workers or urban collective enterprises should increase by 650,000, averaging 130,000 a year, to make the total number reach 4.7 million by 1990. Support and assistance should be rendered to it in the fields of funding, personnel and raw material supplies, taxation, and pricing. Third, we should pay close attention to the weak links in the national economy. Despite a fairly solid foundation in Liaoning's energy, communications, and raw material industries, and the work of its military industrial enterprises producing civilian goods, they still constitute a weak link restricting its economic development, and should be greatly strengthened. The planned production of energy and raw materials should increase every year. By 1990, the raw coal output will reach 53.7 million tons, 10.4 million tons more than in 1985; electricity output will be 41 billion kwh, an increase of 5.7 billion kwh; crude oil output will be 12.73 million tons, an increase of 3.51 million tons; rolled steel output will be 10.66 million tons, an increase of 2.45 million tons; and cement output will reach 13 million tons, an increase of 3.2 million tons. In the meantime, attention should be paid to energy and raw material conservation.

The "outline (draft)" also makes specific arrangements for the developments of railway, road, waterway and air transportation. Adhering to the principle of "transferring to the production of civilian goods while ensuring the production of military goods," defense enterprises should make the best of their advantage to develop the production of civilian goods while fulfilling the tasks of military goods production and scientific research, and maintaining existing capacity for military goods production. Successful fulfillment of the above-mentioned tasks will lead to an improvement of the general level of productivity, which will bring about better economic results. In short, focusing on the improvement of economic results and maintaining unity between growth rate and economic results are a basic principle we should adhere to and implement to the letter during the "Seventh 5-Year Plan" period.

7. Unswervingly Carry Out the Principle of Opening to the Outside World, and Actively Enhance the Ability for Exports and Foreign Exchange Earning

Faced with a situation of further opening to the outside world, we should turn our domestic-oriented economy into a foreign-oriented one as soon as possible. We should regard the enhancement of the ability for exports and foreign exchange earnings as a strategic key point to opening to the outside world, and vigorously develop foreign economic relations and trade. According to the arrangements of the Seventh 5-Year Plan, the volume of exports through ports, and the volume of purchase of export commodities will increase by a fairly large margin. In 1990 foreign exchanges earned through exports of goods produced in the province will more than double the 1985 figure, foreign funds used will exceed \$1 billion, and foreign exchanges used for technology imports will reach \$1 billion. During the "Seventh 5-Year Plan" period, the Liaoning peninsula should be opened to the outside world gradually in an all-round manner.

In order to attain the goals specified in the "outline (draft)," we should continue to unswervingly implement the central policy of opening to the outside world, conscientiously solve, through study, the problems cropping up the course of opening to the outside world, and further speed up the pace in opening. We should watch closely and study the changes in the international market, strive to open up the international market, expand exports, enhance the ability for foreign exchange earnings, and maintain a stable and sustained growth in the province's exports. We should actually strengthen the construction of bases (plants) specialized in producing export commodities, and should actively organize and increase the supply of export commodities. During the "Seventh 5-Year Plan" period, in the course of vigorously building Dalian, Yingkou, and Dandong into three state-level comprehensive export base cities, we should emphatically build the machine tools and electrical products export bases, with Shenyang and Dalian as centers. Various coastal counties should conscientiously readjust their production set-up, and should develop production in line with the needs of foreign trade. Centering on exporting the staple commodities and the readily marketable commodities, we should build 10 export production systems and 100 plants and bases specialized in producing exports goods. We should make full use of our province's favorable conditions to successfully readjust the structure of export products in order to gradually effect two changes: One is to change from mainly exporting raw materials and primary products to exporting finished products; and the other is to change from mainly exporting roughly

processed products to mainly exporting precision products. Machinery and electronics industrial departments, textile and other light industrial departments, petrochemical industrial departments, metals and minerals industrial departments, as well as agricultural and animal husbandry departments should strive to improve their ability to earn foreign exchange. Efforts should be made to open more international markets, and to establish marketing, information, and service networks. In addition, we should strive to sign more contracts with foreign countries on construction projects and labor service export, and should actively develop the tourist trade in order to increase the income from the nontrade foreign exchange.

We should further develop the utilization of foreign capital and technological imports. Being an old industrial base, our province should not entirely depend on the purchased foreign installations to boost our economy. Through importing foreign capital and technologies, we should promote the progress of our own science and technology, should conscientiously transform the technologies and raise the technological level of old enterprises, and should strive to produce competitive exports marketable at international markets. In utilizing foreign capital and importing foreign technologies, priority should be given to the key trades, enterprises, and products which undergo technological transformations during the "Seventh 5-Year Plan" period. In this regard, we should make overall planning, pay attention to overall balance, spend money on where it is most needed, and guard against blind and duplicated imports. We should also be bold in utilizing foreign capital, and should build more joint-venture and cooperative enterprises.

We should vigorously create conditions for opening the Liaodong peninsula to the outside world. Liaodong peninsula should gradually open itself to the outside world from some key areas to all areas and from a forward land to hinterland. The first step in this regard is to open Dalian and Yingkou to the outside world, and successfully build the Dalian Economic and Technological Development Zone. In building this development zone, priority must be given to those projects using foreign capital, to those technical-intensive industrial items, and to those units producing export products. The building of the development zone should be integrated with the renovation of the old industrial base so that we can build Dalian into a window for opening the province and the northeast China to the outside world and for importing advanced technologies, talented people, management methods, and information. The second step is to create conditions for opening all coastal cities to the outside world in order to build the entire Liaoning peninsula into an open economic zone.

8. Develop the Scientific, Technological, and Educational Undertakings and Accelerate the Development of Intellectuals Resources and the Training of Competent People

Both the realization of the "Seventh 5-Year Plan" and the invigoration of Liaoning's economy depend on the development of the scientific, technological, and educational undertakings. Achieving success in the exploitation of intellectuals resources and training of competent people is the key to narrowing the gaps between the province's technical and managerial levels and the advanced foreign and domestic technical and managerial levels. Therefore, we must

actually place the development of the scientific, technical, and educational undertakings, the exploitation of intellectual resources, and the training of competent people, which bear on the overall situation, on a strategic position, and grasp this work in a conscientious and down-to-earth manner.

We should further implement the "Decision of the CPC Central Committee on Scientific and Technological Structural Reform," and should conscientiously follow the principle that "economic work must depend on scientific and technical progress, and scientific and technical work must serve economic construction." We should fully use our favorable conditions in scientific and technical forces to transfer science and technology from foreign countries to domestic areas, from military industrial enterprises to civilian industrial enterprises, and from the urban areas to the rural areas. In addition, we should give full play to the role of various academies, higher learning institutions, and military industrial enterprises subordinate to the central authorities, which form the "five-route technical ranks," and promote the coordinated development of the scientific and technological undertakings and the province's economy and society. Scientific research units should enforce the contract system for internal research jobs, carry out paid transfer of their research achievements to user organizations, reform the fund allocation system, and gradually realize economic independence. They should do a good job in the development of science and technology, and the study of their application, and concentrate efforts on tackling major scientific and technological difficulties. Science and technology markets should be actively developed, scientific and technological consulting services strengthened, scientific and technological knowledge popularized, and scientific research achievements widely applied. Efforts should be made to attach importance to the development of basic science, and new and frontier disciplines, open up new scientific research spheres, develop micro-electronics, biological engineering, new materials, and other new technologies on a priority basis, and increase scientific research funds correspondingly. During the "Seventh 5-Year Plan" period arrangements will be made for 50 major scientific and technological projects in such key spheres and trades as agriculture, energy, machinery, chemical industry, consumer goods industry, new technology, and social development. Accomplishment of these projects will enable some sciences and technologies of our province to reach or approach advanced world levels, and most of its sciences and technologies to reach the international levels of the late 1970's, and will enable the province to possess certain amounts of scientific and technological reserves. Wide application of these scientific and technological achievements will bring about significant changes in the production features of a number of major trades of the province. At the same time, in line with the requirements as stated in the state's "spark plan," we should conscientiously pay attention to a group of projects which require short construction period and yield quick returns, and continue the province's "one, two, three" projects to facilitate the revitalization of the rural economy.

While grasping the research of natural sciences, we should attach great importance to the study of social sciences. Focusing on the strategic issues concerning our province's economic and social development, and the important tasks for reform, and with the guidance of the Marxist theory, we should intensify the study of philosophy, economics, management, as well as history, literature, and ideological and political work and theory, and strive to score some high-quality achievements in the study.

We should further implement the "CPC Committee's Decision on Reform of the Educational Structure," attach importance to education as we do to economic construction, and strive to open up a new situation in education work in line with the principle of "gearing to the needs of modernization, of the world, and of the future." Education should be developed in an active and stable manner on the premise that a success is won in reform and in upgrading the teaching quality. We should basically bring into balance the ratio among the levels, and the specialties of personnel training units, and further improve the education system and the cadre training system, which will include all levels, from primary to high levels, which will have complete branches of specialties, a rational structure and a proper scope, and which coordinate vocational education with [word indistinct] education. During the "Seventh 5-Year Plan" period we should start with preschool education, implement the 9-year compulsory education in an active and step-by-step manner after consolidating and popularizing the elementary education, restructure the secondary education, greatly develop vocational and technical education, and make the number of the students of secondary vocational schools of various categories slightly higher than that of the ordinary senior middle school students. We should fully tap the potential of the existing colleges and universities, improve their teaching quality, and set up the specialties urgently needed in our development of various undertakings. We should make efforts to make a success of the Liaoning University, the Liaoning Normal University, the Dalian Medical College, and other key colleges and universities subordinate to the province, and various specialties, run television, spare-time and vocational universities well, step up the preparations for the establishment of the Dongbei institutions of minority nationalities, and develop the education of the areas of minority nationalities. We should lay great stress on the training of teachers, and successfully run higher and secondary normal institutions, and institutions of advanced study of teachers. By 1990 the number of students of skilled worker schools of various categories will reach 85,000, 32,000 more than 1985; and that of students of colleges and universities, and secondary specialized schools (including those for adults) will be 363,000, a 63.8 percent increase over 1985, and averaging an annual increase of 10.4 percent. We should increase education investment in order to fulfill the tasks for educational development during the "Seventh 5-Year Plan" period. The growth of education funds should be higher than that of revenues, and the education funds for every student should also increase gradually. The annual investment in the capital construction of the institutions under the province should rise from 20 million yuan during the "Sixth 5-Year Plan" period to 50 million yuan, and all cities, counties and townships should increase education investment. Education of staff members and workers, and the training of cadres should be successful. By 1990 the percentage of technical workers of secondary level or higher among the total staff members and workers should grow from the present 20 percent to 50 percent, the percentage of scientific and technical personnel of enterprises should rise by 5 to 10 percent, and specialized managerial personnel should basically reach the level equivalent to senior middle schools or secondary specialized schools, or higher.

We should vigorously clear the channels for the transfer of competent personnel and allow them to put their learning to good use and to display their expertise. It is necessary to continuously implement the policy on intellectuals, trust

the intellectuals politically, and give them a free hand in doing [words indistinct], show concern for their livelihood, further spark their enthusiasm, and mobilize them to devote their wisdom and intelligence to the province's four modernizations drive.

9. Unceasingly Improve the Standard of Material and Cultural Lives of the People Along with the Growth of Production

Meeting the growing daily material and cultural needs of the people is the fundamental purpose of socialist production. During the "Seventh 5-Year Plan" period, we should enable the people to unceasingly raise their consumption level along with the growth of production. By 1990, the average actual consumption of the urban and rural residents throughout the province should show an increase of some 25 percent over 1985. Along with the development of production, all social undertakings in service of the people should be unceasingly developed. We should properly understand the relationships between production and consumption, and let the masses know that only by developing production can they improve their livelihood, and that in addition to earning a living, they must also carry out construction in order to gradually improve their living standards.

To improve the people's livelihood, we should do a good job in organizing production and supply of consumer goods in line with the consumption needs of the masses. It is estimated that during the "Seventh 5-Year Plan" period, the institutional purchasing power will show an average annual increase of 11 percent and will reach 39 billion yuan by 1990. On the basis of unceasingly improving the basic living conditions of the people, we should invigorate markets and increase the supply of consumer goods in line with the growth of purchasing power and the changes in the masses' consumption habits.

To improve the people's livelihood, we should also vigorously develop all kinds of social undertakings. Developing cultural, art, broadcast, television, sports, public health, publication, and press undertakings is not only an important task in building the spiritual civilization, but is also a necessity for satisfying the cultural needs of the people. The cultural and art departments should adhere to the orientation of serving socialism and the people, give first priority to social benefit, strive to create more and better artistic works to enrich the spiritual life and exert a favorable influence on the people, and encourage them to dedicate themselves to the socialist construction undertakings. We should strive to complete the construction of the provincial television tower and the science museum within a short period of time, and make arrangements for building large and comprehensive libraries and other cultural facilities. In order to improve the health of the masses, we should extensively and deeply carry out the patriotic public health campaign, and further develop medical and health undertakings. In the coming 5 years, we should have additional 55,000 specialized medical workers and 20,000 extra hospital beds, speed up the construction of the provincial people's hospital and put it into operation as early as possible, and strive to initiate the construction of the provincial children's hospital as soon as possible. We should persist in combining both Chinese and Western medicines, and vigorously develop traditional Chinese medical science and medicines. We should untiringly grasp family

planning work and strive to bring the average population growth rate under 14 per thousand within 5 years. We should also extensively carry out mass sports activities, vigorously train competent sports personnel, attend to building sports facilities, and do a good job in organizing the national youth sports games. We should proceed from the reality, gradually establish various kinds of insurance systems in line with the financial capability of the state, enterprises and the individuals, continue to develop the Chinese people's fine tradition of helping and supporting one another, gradually improve all social welfare systems, and encourage enterprises and establishments to run collective welfare undertakings that are badly needed by workers and staff members. It is necessary to increase the number of children's recreation centers, homes for the aged, sanatoriums, and other welfare facilities, and provide more social services for children, the aged and the disabled. We should do a good job in supporting the army and giving preferential treatment to the families of servicemen and in arranging jobs for the army cadres who have transferred to civilian work. We should provide proper help for low-income urban and rural households and guarantee basic living conditions for them. It is necessary to extensively mobilize social forces to help the poverty-stricken areas, organize the impoverished households and persons who are entitled to receive preferential treatment to jointly develop production, and enable them to become better off through hard work. We should open up more avenues through developing various undertakings, and successively provide jobs for the 1.65 million newly added productive forces.

The living environment should be improved further. Efforts should be made to develop small cities and towns and to control the population of large and medium-sized cities. The relationship between the rebuilding of old city proper and the development of new city proper should be handled appropriately. We should control the source of pollution, eliminate environmental pollution, and attend to afforestation in order to gradually create a clear and comfortable living environment for the people. We should constantly improve the housing conditions for the masses, open more markets at residential zones, and gradually realize the commercialization of residences in order to relieve the strain on urban residences.

10. Strengthen the Building of Socialist Spiritual Civilization.

Strengthening the building of socialist spiritual civilization constitutes a long-term strategic principle. Premier Zhao Ziyang has pointed out that the Seventh 5-Year Plan calls for simultaneously building the socialist material and spiritual civilizations. The "(draft) outline" has made arrangements for building both material and spiritual civilizations. To ensure a smooth accomplishment of the Seventh 5-Year Plan, our people's governments at all levels should strive to simultaneously grasp the material and spiritual civilizations, to shoulder the burdens in both fields, and to score achievements in both of them. In building a modern, culturally advanced, and highly democratic socialism, we must at any time adhere to the four fundamental principles in a resolute and clear-cut manner; and oppose and resist the inroads of capitalism, feudalism, and other corrosive ideas as well as the bourgeois liberalization. By no means should we apply the principle for commodity exchange to the political life. We should consciously resist the bourgeois idea of "doing everything for money's

sake." Focusing on the education on communist idea, we should penetratingly conduct the activity of "five stresses, four beauties, and three loves" in order to foster new socialists with lofty ideas, moral integrity, knowledge, and good discipline. We should mobilize the forces in all fields to strengthen the training and education among youths and juveniles. Continued efforts should be made to grasp the building of civilized units, conduct the education on professional morals, and vigorously launch the army-civilian joint activity and other joint activities. The task of improving the social conduct should be assigned to all plants, shops, neighborhood committees, village residents' committees, other grassroots units, and families. Further efforts should be made to strengthen the building of socialist democracy and the legal system, to firmly uphold the people's democratic dictatorship, and to deal blows to serious criminal and economic offences. We should also check and ban all corrosive and ugly phenomena which seriously damage the social conduct. We should vigorously strengthen the overall administration over public security, comprehensively conduct the education on socialist democracy and the legal system, popularize the legal knowledge, and mobilize and depend on the masses to wage a resolute struggle against those practices which harm the social order so that we can effect a stable improvement in social order on the basis of the remarkable improvement already scored in this regard.

The Seventh 5-Year Plan period is an important historical period, in which we should create material and technical conditions for effecting a vigorous economic development in the 1990's, and should fulfill the strategic goal for the economic and social development in 2000. Comprehensively fulfilling the Seventh 5-Year Plan is an important mission entrusted to us by history. During the foreseeable future, people's governments at all levels should organize the people of all nationalities throughout the province to participate in the construction of the huge project of the Seventh 5-Year Plan in order to make this blueprint become reality. To accomplish the Seventh 5-Year Plan, we must do painstaking work. We must first attend to ideological and political work, which is not only an important task for building spiritual civilization, but also a guarantee for realizing the Seventh 5-Year Plan. The large number of the masses must be clearly informed of the basis for formulating the Seventh 5-Year Plan, the basic guiding ideology, the major fighting goals, as well as various tasks, principles, policies, and measures so that they can unify their understandings and act in unison. After the current congress session, the people throughout the province will clearly understand the fighting goals for the near future, can closely integrate the current work with the long-term development, and will firmly make strides toward the great goal for the end of this century. Comrade Mao Zedong once said that man is always developing, and so is the nature, and that they will never stop at a certain level. Man should continuously sum up experiences, and make discovery, invention, creation, and advancement. We should consider it our historic task to continuously promote social development and progress, and should mobilize the people throughout the province to display the dedicative spirit of working arduously for the four modernizations to fulfill the tasks as stated in the Seventh 5-Year Plan. At the same time, we should conduct conscientious and meticulous organizational work. Now all the tasks have been clearly defined, but they will fall through if we lack specific methods for their implementation and strong organizational leadership. Governments at all levels, as well as their subordinate

departments should establish a strict responsibility system, and see to it that responsibilities and duties are clarified, and that everyone holds his responsibility and pays close attention to the fulfillment of tasks. During the "Seventh 5-Year Plan" period one of the major tasks for the work of government organs is to accelerate the change in the functions of government institutions in line with orientation of separating the responsibilities and duties of governments from those of enterprises. It requires multipurpose economic managerial departments at all levels to strive to make their policy decisions more scientific, and enhance their ability to control and regulate the macroeconomy. Departments in charge of various trades should change their efforts to directly organize the production and distribution of products into efforts to plan for, coordinate, supervise and serve the whole trades, change their application of administrative means as major ones into application of economic and legal means, and turn the past practice of making government institutions serve enterprises. They should make their management reside in their service. Government at all levels, and all their departments should actively implement such changes so that they can organize and promote more effectively the fulfillment of the Seventh 5-Year Plan. Governments at all levels should also further improve their leadership style, and the workstyle of their organs, overcome bureaucracy, make less idle talk and to more solid work, raise their work efficiency, free themselves from "mountains of documents and meetings," conduct thorough investigations and study, maintain close ties with the masses, give heed to their opinions, subject themselves to their supervision, give play to the role of their brain banks and information networks, and improve their leadership levels. Government organs at all levels should thoroughly implement the various regulations on rectifying the workstyles of organs issued by the CPC Central Committee, the State Council, and their general offices, and conscientiously straighten out various unhealthy trends, including those of various trades. Government organs should more successfully serve economic construction, reforms, the grassroots and enterprises, and the fulfillment of the fighting goals of the Seventh 5-Year Plan. This year is the first year of the Seventh 5-Year Plan period, in which we should lay a solid foundation. We must make our first step successful, and carry out the various tasks for this year in a down-to-earth manner.

Fellow deputies!

The Seventh 5-Year Plan of our province is arduous and yet glorious. Although numerous difficulties still exist, we should note that there are also many favorable conditions for us to fulfill the plan: We have the strong leadership of the CPC Central Committee, and the line, principles and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, which constitute a basic guarantee for the fulfillment of the Seventh 5-Year Plan; we have the significant achievements in socialist construction scored since the founding of the country, in particular during the "Sixth 5-Year Plan" period, which lay a solid foundation for the fulfillment of the Seventh 5-Year Plan; we have the significant achievements in socialist construction scored since the founding of the country, in particular during the "Sixth 5-Year Plan" period, which lay a solid foundation for the fulfillment of the Seventh 5-Year Plan; the overall [word indistinct] transformation of old industrial bases, and has designated our province as a key area for technical transformation; and during the "Seventh 5-Year Plan" period the Liaoning peninsula will be gradually opened in an all-round manner, and the scope of foreign fund utilization and

technology imports will be expanded continuously, which will certainly further facilitate the province's scientific and technological progress, and promote the rapid development of productive forces. All this provides favorable conditions and a good opportunity for our fulfillment of the Seventh 5-Year Plan. We are full of confidence in accomplishing this historical task. We hope that workers, peasants, intellectuals, and cadres of various nationalities throughout the province, and all democratic parties, people's organizations, and personages who ardently love the socialist motherland will swing into action, work in unison, carry forward the spirit of the foolish old man, actively plunge into the great practice of the implementation of the Seventh 5-Year Plan, and work conscientiously, persistently and in unity for the successful accomplishment of the grand goals of the Seventh 5-Year Plan.

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ECONOMIC PLANNING

GOVERNOR SAYS SHAANXI TO STRESS TOURISM, MINING

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[Text] Beijing, 31 March (XINHUA) -- China's Shaanxi Province will target tourism and mining to enhance its economic development over the next five years.

Li Qingwei, governor of Shaanxi and a deputy to the National People's Congress, said that tourism and mining are suited to the province's economy. Shaanxi is rich in many kinds of ores, especially nonferrous metal, coal and oil.

Shaanxi is one of the nine provinces and autonomous regions in China's western region with rich natural resources but weak economic basis.

According to the country's seventh five-year plan, this region will focus on developing agriculture, forestry, livestock, and transportation, in addition to energy industry and mining. By 1990 the region will produce 93 billion kwh of electricity, 180 million tons of coal and 8 million tons of oil.

Shaanxi has coal deposits of about 200 billion tons, the governor noted, from which 30 million tons of coal annually will be extracted in the next five years.

The province will focus on mining gold, silver, copper, tin, iron and molybdenum in the south and build hydroelectric stations along the Hanjiang River, of which the 800,000 kw-capacity Ankang Hydroelectric station will be commissioned next year.

The governor envisages that the province will set up a number of metallurgical, material and energy-consuming industries, such as a coal-generated power station with a capacity of 660,000kw and a electrolysis aluminum plant with a capacity of 100,000 tons annually.

Coal and other materials will be transported to other provinces as well as abroad by a trans-provincial railway running from Inner Mongolia in the West to the port city of Qinhuangdao in the east. This railway is now under construction.

In discussing the goal of increased tourism, Li also plans to set up a tourist center around China's ancient capital of Xian, featuring first class historical relics.

The tomb of the first Qin Emperor, where the famous terra-cotta warriors and horses were dug out, is just one of the 72 imperial tombs in Shaanxi, where many emperors are buried. Li said that plans have been made to set up different types of tourist centers across the province.

The governor said that Shaanxi possesses China's most advanced defense industry technology and facilities, in addition to 45 universities or institutes and over 100 research centers with these facilities and the switch of some defense facilities into civilian production, the province is sure to fulfill the goal in the next five years.

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AGGREGATE ECONOMIC DATA

SHAANXI'S 1985 ECONOMIC, SOCIAL DEVELOPMENT STATISTICS

HK010745 Xian SHAANXI RIBAO in Chinese 7 Mar 86 p 2

["Communique on Shaanxi's 1985 National Economic and Social Development Statistics Issued by the Shaanxi Provincial Statistical Bureau on 6 March 1986"]

[Text] In 1985 under the leadership of the provincial CPC Committee and provincial government, the people of Shaanxi implemented in earnest the CPC Central Committee's policy on invigorating the domestic economy and opening up to the outside world, eliminated "leftist" and outdated ideas, emancipated their minds, vigorously carried out the reforms of the economic, scientific, technological, and educational systems, and achieved remarkable successes in economic and social development. The total product of society came to 33.21 billion yuan, a 15.4 percent increase over 1984. (Footnote 1) (All figures for the total product of society, national income, and gross national product cited in this communique are calculated in terms of 1985 prices; the total industrial and agricultural output value is calculated in terms of 1980 fixed prices; and the percentage increase over the previous year is calculated in terms of comparable prices. In light of state stipulations, metric units are used for the various targets of the national economy. 1) Total product of society is the sum of the total output value of agriculture, industry, the building trade, transportation, posts and telecommunications, and commerce, including the supply and marketing of materials and equipment and the catering trade. National income is the sum of the net output value of the five above-mentioned material producing departments. 2) Gross domestic product refers to the value of products and labor service used by society and supplied by material productive departments and non-material productive departments, not including the value of products and labor service consumed by intermediate units. 3) Total rural product of society includes the gross output value of agriculture and the gross output value registered by collective and individually run rural industries, the building industry, transportation, posts and telecommunications, and commerce, including the supply and marketing of materials and equipment and the catering trade. The total output value of industry and agriculture was 25.54 billion yuan, an increase of 16 percent over the previous year. According to preliminary estimates, the gross value of domestic product reached 216.87 billion yuan, up 11.9 percent from 1984; and the national income, 13.86 billion yuan, up 11.4 percent.

I. Agriculture

In 1985 Shaanxi's rural areas further implemented the principle of "never relaxing efforts on grain product and vigorously developing diversified economies," readjusted the rural production setup, reformed the system of state monopoly for purchase and marketing of farm products, and promoted the development of commodity production. The total rural product of society reached 312.2 billion yuan [as published], 19.7 percent higher than in 1984. Of the sum, the proportion of industry, the building trade, transportation, posts and telecommunications, and commerce rose from 27.5 percent in 1984 to 36.7 percent. Town and township enterprises developed rapidly with a total income of 3.7 billion yuan, up 47 percent from 1984.

Despite serious natural disasters, good harvests were reaped in 1985. The total output value of agriculture was 8.6 billion yuan (including rural industry run by villages), a 13.8 percent increase over the previous year. If the industrial output value of rural enterprises is deducted from this sum, the figure is 6.82 billion yuan, still a 2.9 percent increase over 1984. The structure of agriculture underwent readjustment. The proportion of the output value of crop cultivation in the output value of agriculture as a whole dropped from 62.2 percent [word indistinct] to 53 percent, while the proportion of the output value of forestry, animal husbandry, sideline occupation (including rural industry run by villages), and fishery rose from 37.8 to 47 percent.

The total output of grain reached 9,519,000 tons (19.04 billion jin), 718,000 tons (1.43 billion jin) less than in 1984, but still the third highest harvest year in Shaanxi's history. The output of major industrial crops increased by a big margin (except the output of cotton which dropped due to the reduction of sown area). Of these, the output of oil-bearing crops, tobacco, and sugar-bearing crops hit an all-time high.

The output of major farm products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Grain	9,519,000 tons	-7.0
Oil-bearing crops	299,000 tons	54.9
of which Rapeseed	164,000 tons	42.6
Peanuts	101,000 tons	120.0
Cotton	43,000 tons	-41.9
Tobacco	63,000 tons	50.0
Sugar-bearing crops	79,000 tons	36.2
Silk-worm cocoons	4,862 tons	1.2
Jute, ambary hemp	2,414 tons	300.0
Tea	2,822 tons	5.3

The further implementation of the forestry policies aroused the enthusiasm of the masses for afforestation. The whole province afforested an area of 570,000 hectares, an increase of 12 percent over 1984. The output of major forest products, except edible fungus, mushroom, and tea-oil seeds, dropped from the

previous year. Of this, the output of walnuts fell by 8,789 tons, or 40.7 percent; tung oil seed output decreased 2,230 tons, down 11.2 percent; and raw lacquer dropped 27 tons, down 4.2 percent.

Animal husbandry continued to develop. Increased were registered in the output of pork, beef, mutton, milk, and eggs as well as in the numbers of large animals and pigs slaughtered and in stock. However, the number of sheep in stock dropped. Output of major animal by-products and numbers of live-stock were as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Output of pork, beef, and mutton	293,000 tons	20.1
Milk	56,000 tons	29.1
Sheep wool and goat hair	2,726 tons	-12.1
Hogs slaughtered	4,243,000 head	10.2
Large animals at year end	2,556,000 head	4.5
Pigs at year end	7,938,000 head	13.5
Sheep and goats at year end	3,411,000 head	-17.4

Fish production continued to grow. The output of aquatic products was 6,136 tons, a 39.5 percent increase or 1,738 tons more than in 1984.

Conditions for agricultural production continued to improve. At the end of 1985, the aggregate power capacity of the province's farm machines reached 7.64 million horsepower, a 3.8 percent increase over the previous year. The number of large and medium-sized tractors was 20,000, a decrease of 4.8 percent from 1984, small-capacity and walking tractors, 149,000, an increase of 8.8 percent; and trucks 10,000, an increase of 11.1 percent. The total power capacity of irrigation and drainage was 2,169,000 horsepower, an increase of 8.3 percent over 1984. A total of 429,000 tons of chemical fertilizers were applied during the year, a 3.4 percent over 1984. The total consumption of electricity in rural areas was 1.48 billion kilowatt-hours, a 5.7 percent increase over the previous year. Soil erosion of an area of 3,794 square kilometers was brought under control.

II. Industry

In 1985 industrial production developed in a sustained manner and the output of marketable products increased by a big margin. The total output value of industry was 16.94 billion yuan, a 17.1 percent increase over 1984. When added to the output of rural industry run by villages, the total figure would be 18.72 billion yuan, an increase of 21.6 percent over the previous year. Of the total, the output value of state-owned industry increased 15.9 percent over 1984, collectively-owned industry in urban areas expanded by 50.5 percent, and industry under other kinds of ownership increased by 21.7 percent. The output of 52 of the 62 major industrial products met or topped the provincial plans. On the premise of fulfilling the targets of military supplies, the ordnance industrial enterprises vigorously developed products for civilian use. The output value of products manufactured by ordnance industrial enterprises for civilian use was 500 million yuan, a 61.3 percent increase over 1984.

The total output value of light industry was 7.41 billion yuan, an increase of 11.8 percent over 1984. The variety of light industrial products increased; production and sales of textile industry improved; sewing machines, food, and paper-making industries developed in a sustained manner; and the output of woollen piece goods, machine-made paper and paper board, television sets, wrist watches, household washing machines, cigarettes, spirits, and other sought-after products increased remarkable.

The output of major light industrial products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Cotton yarn	158,000 tons	8.9
Cloth	640,000,000 meters	2.6
Chemical fabrics	10,219 tons	72.2
Knitting wool	2,109 tons	-0.4
Woollen piece goods	3,880,000 meters	21.6
Silk textiles	10,420,000 meters	12.4
Printed calico	350,000,000 meters	30.6
Machine-made paper and paper board	188,000 tons	40.3
Chemical pharmaceuticals	2,894 tons	3.4
Detergents	17,000 tons	5.4
Bicycles	238,000	-21.6
Sewing machines	701,000	10.9
Wrist watches	1,276,000	19.1
Television sets	473,000	67.6
of which: Color sets	206,000	1,110.0
Cassette recorders	16,000	-44.9
Household washing machines	230,000	33.3
Bulbs	59,810,000	7.8
Milk products	8,034 tons	4.2
Matches	780,000 boxes	4.0
Cigarettes	685,000 cartons	23.4
Beer	114,000 tons	37.2

Heavy industry developed at a relatively fast speed. The total output value of heavy industry in 1985 was 9.53 billion yuan, a 21.6 percent increase over 1984. Its proportion in the output value of industry as a whole rose from 54.2 percent in 1984 to 56.3 percent. Energy and raw and semi-finished materials industries registered fresh progress. The output of coal, crude oil, pig iron, power generation, cement, plate glass, soda ash, machine tools, trucks, locomotives, boilers, and other major heavy industrial produces increased by a big margin.

The output of major heavy industrial products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Coal	26,930,000 tons	11.4
Crude oil	221,000 tons	23.8
Electricity	10.88 billion kilowatt-hours	19.7
Pig Iron	201,000 tons	21.3
Steel	347,000 tons	6.5
Rolled steel	241,000 tons	7.5
Coke	475,000 tons	12.7
Timber	641,000 cubic meters	17.0
Cement	3,838,000 tons	23.7
Plate glass	407,000 standard cases	22.1
Sulphuric acid	88,000 tons	-30.2
Caustic soda	37,000 tons	4.8
Soda ash	5,385 tons	74.2
Chemical fertilizers	266,000 tons	-9.7
Machine tools	2,487	19.5
of which: High precision tools	209	78.6
Trucks	1,865	170.0
Walking tractors	29,000	12.2
Internal-combustion engines	412,000 horsepower	28.6
Freight trains	2,144	17.4
Boilers	2,484 evaporation-tons	36.3
Alternators	1,215,000 kilowatts	5.6
Color Kinescopes	1,060,000	9.9

The reform of the industrial system developed steadily, enterprises were further invigorated, and better economic results were achieved. Per capita productivity for financially independent state-owned enterprises was 11,592 yuan, 12.2 percent higher than in 1984. The total output value of the budgeted local industrial enterprises reached 7.62 billion yuan, a 13.2 percent increase over 1984. Their sales income came to 7.48 billion yuan, up 19 percent and their profits and product sales taxes reached 1.53 billion yuan, up 21.1 percent, exceeding the growth of sales income and output value. The turnover period for working funds was shortened from 144 days in 1984 to 137 days in 1985, a reduction of 5 percent. Enterprises losses dropped and the number of losing enterprises decreased as compared with 1984. During the year, 3 products including a liquid rocket engine, the 155 engineering goniometric system, and the FJ347 Model A Xr metric instrument won national gold prizes and 23 products won silver prizes, setting a new record for the province in the number of prizes won. However, the quality of some products declined, consumption of raw materials increased, and production costs rose.

III. Investment in Fixed Assets and the Building Trade

In 1985 the tempo of key construction projects increased, the existing enterprises underwent technical transformation, and the reform of the building trade system registered new progress. Total investment in fixed assets for state-owned enterprises came to 3.98 billion yuan, a 41.8 percent increase over 1984 and the newly added fixed assets totaled 2.36 billion yuan, up 8.3 percent. Total investment in capital construction of state-owned units reached 2.52 billion yuan, a 35.5 percent increase over 1984. Of that total, investment covered by the state budget was 1.24 billion yuan, up 14 percent; and investment in capital construction from funds raised by localities was

730 million yuan, up 48.4 percent from 1984. Of the investment in capital construction, 17.5 percent of 440 million yuan was for energy projects; 14.3 percent or 360 million yuan was for energy projects; 14.3 percent or 360 million yuan for education and scientific research; and 7.8 percent of 200 million yuan for transportation and posts and telecommunications. Of the investment in [words indistinct] owned units, the localities covered 1.24 billion yuan, an increase of 58.9 percent. The capital construction figure stood at 970 million yuan after deducting the amount not included in the plan, 101.9 percent of the adjusted annual plan. A total area of 12.37 million square meters of housing projects was undertaken, with an area of 4.81 million square meters completed during the year, an increase of 36 percent and 16.2 percent respectively over the previous year. A total of 1,299 capital construction projects were completed and put into operation. The rate of projects being put into operation was 45.3 percent. Investment in the 29 key projects totaled 610 million yuan, 121.2 percent of the annual plan. The construction of the Ankang hydropower station and electrification of the Lianyungang-Lanzhou railway were completed ahead of schedule. The construction of the main building of the Xian railway station, the No 3 generating unit of the Qinling power plant, and the Dongpo-Hanjing railway were completed and put into operation on or ahead of schedule.

Headway was made in the technical revamping of existing enterprises which played an important role in technological progress of enterprises. In 1985, state-owned enterprises made use of a total investment of 1.46 billion yuan for equipment replacement, technical updating, and other purposes, 54 percent more than the previous year; investment made in equipment replacement and technical updating by the electronics, metallurgy, machine-building, light industry, textile, and other industrial departments surpassed the year's investment in capital construction. Of the investment in equipment replacement and technical updating, 420 million yuan was used to expand production and in energy conservation projects, 42.6 percent more than in 1984; and 320 million yuan was used to increase the variety of products and raise the quality of products, an increase of 170 percent. A total of 279 stage-owned units undergoing equipment replacement and technical updating were completed and put into operation. The rate of these units being put into operation was 55.9 percent.

Capital construction, equipment replacement, and technical updating last year helped add the following industrial capacities: 55,000 tons of coke a year, 400 tons of aluminium, 90,000 tons of coal, 213,000 kilowatts of power generating capacity, 20,000 tons of crude oil, 286,000 tons of cement, 370,000 standard cases of plate glass, 5,000 tons of synthetic ammonia, 5,514 tons of chemical fertilizers, 2,000 tons of caustic soda, 1,430 woollen spindles, 23,000 cotton spindles, 70,000 cases of cigarettes, 11,000 tons of spirits, 13,000 tons of machine-made paper, 24,000 sewing machines, 1,000 tons of chemical fibers, 320,000 kinescopes, 80,000 washing machines, 31 kilometers of railways, 234 kilometers of highway, 42 kilometers of long-distance cables, 116 kilometers of cables in urban areas, 40 kilometers of transmission line at above 110,000 volts, 202,000 mu of irrigation area, 167,000 square meters of commercial centers and shops, 131,000 places for students in various kinds of schools, 1,772 hospital beds, and 1,090 telephone switchboards in urban areas.

The reform of the administrative systems of the building industry developed rapidly. Various forms of contract responsibility system were introduced in

state-owned building and installation enterprises. The enterprises implementing the contract salary system for output value of every 100 yuan accounted for 72 percent. Of the 35 large and medium-sized projects under construction, 17 implemented the various forms of investment contract system. The reform of the administrative systems of engineering design and building enterprises helped make the entire building industry more efficient, increasing per capita labor productivity by 24.9 percent over that of 1984.

Geological workers made surveys and explorations of engineering geology, hydrogeology, and minerals including gold, coal, phosphorite, and limestone. Tunnelling footage completed in the year totaled 225,000 meters and newly-verified reserves included 16.5 billion tons of coal, 460 million tons of cement limestone, 50 million tons of bentonite, and other valuable minerals and geothermal springs. Headway was made in geological research work and 24 research results were submitted in the year, of which 7 were taken by the state or province as key items for research.

IV. Transportation, Posts and Telecommunications

Transportation industry continued to develop in 1985 and the volume of freight and number of passengers carried increased remarkably. The various transportation departments handled 29.02 billion ton-kilometers of goods, up 17.1 percent from 1984. Of this, the railways handled 28.18 billion ton-kilometers, a 17.6 percent increase; trucks handled 810 million ton-kilometers, down 5.4 percent; and airplanes handled 10 million ton-kilometers, up 92.9 percent. The gross volume of passenger transportation was 14.93 billion person-kilometers, up 26 percent; that of road passenger transportation, 3.72 billion person-kilometers, up 120 percent. The efforts made in both railway and road passenger transportation alleviated the strain on short distance railway passenger transportation.

Posts and telecommunications developed rapidly in 1985. Transactions throughout the province amounted to 78.71 million yuan, a 14.2 percent increase or 108.6 percent of the annual plan. The number of letters handled went up 13.4 percent, newspapers and magazines distributed were up 4.2 percent, parcels rose 10.1 percent, long-distance telephone calls increased 13.6 percent, and telegrams went up 25.2 percent. The year-end number of telephone subscribers in urban areas as 54,000, an increase of 12.6 percent over the previous year.

Economic results improved somewhat in the transportation and posts and telecommunications departments. Cash income from railway transportation went up 24.2 percent, profits earned rose 5.7 percent, and the per capita productivity registered an increase over 1984. Turnover of the 14 motor transport enterprises covered by the plan went up 8.2 percent and the per capita productivity increased 3.8 percent over the previous year. However, transportation remained strained, the number of accidents rose, and production costs increased somewhat. Income from posts and telecommunications enterprises rose 24.2 percent, but there was still a difference between their receipts and expenditures.

V. Domestic Trade and Supply and Marketing of Materials

Along with the reform of the commercial system, urban and rural markets thrived in 1985. The province's 1985 retail sales reached 9.19 billion yuan, a

25.4 percent increase over the previous year (a 17.7 percent increase after deducting the factors of price increases). Of the total sum, retail sales of consumer goods reached 8 billion yuan, up 27 percent; and farming materials and equipment, 1.19 billion yuan, up 15.2 percent. Retail sales of most principal consumer goods increased over 1984. Increases included grain, 2.5 percent; vegetable oils, 4.3 percent; eggs, 2.9 percent; pure cotton cloth, 5 percent; woollen piece goods, 9.3 percent; knitting wool, 9 percent; knitwear, 11.7 percent; garments, 28.7 percent; wristwatches, 19.5 percent; television sets, 24.9 percent; washing machines, 36.7 percent; and refrigerators, 1,050 percent.

The reform of the commercial system continued to develop and the market setup changed remarkably. By the end of 1985, a total of 2,568 small state-owned enterprises in the retail business, the catering trade, and other service trades were given a free hand in management. Of these, 71.3 percent was leased to collective management, 12.1 percent was turned over to collective ownership, and 16.6 percent was leased to individuals. Retail sales in all sectors of the economy increased considerably. The total amount of retail sales in the state-owned sector increased 16.6 percent, while retail sales in the collective sector rose 23.7 percent. Sales in the individual sector went up 68.2 percent, while retail sales by farmers to non-agricultural residents increased 68.3 percent.

Transactions in the urban and rural commodity fairs were brisk. These fairs were the main channel for the circulation of commodities. In 1985 the province had 1,696 commodity fairs including 222 in cities and town and 1,474 in the countryside. Trade value amounted to 1.51 billion yuan a 25 percent increase over 1984.

The smooth introduction of the price reform produced initial results and accelerated the development of the commodity economy. The general price indices for state purchases of farm and sideline products rose 7.8 percent over 1984. The general retail price index in 1985 increased 6.5 percent over 1984. The price of food rose 9.8 percent; garments, 1.3 percent; articles of everyday use, 3.1 percent; books, newspapers, and magazines, 29.5 percent; and fuel, 7.2 percent. Regarding commodities, the price of grain rose 10.7 percent; vegetables, 23 percent; meat, poultry, and eggs, 14.5 percent; aquatic products, 26.1 percent; fruit, 11.7 percent; knitwear, 0.5 percent; Chinese medicines, 24.2 percent; and furniture, 3.4 percent. However, the price of cotton cloth dropped 0.3 percent. The cost of living index for workers and staff rose 7.6 percent over 1984. Of this, prices for consumer goods rose 7.2 percent and those for services went up 11.8 percent. The prices of certain commodities rose by a big margin. Some units and individuals indiscriminately forced up the commodity prices.

Sales of major means of production in 1985 all rose over the previous year. Coal sales increased 8.5 percent; rolled steel, 9.1 percent; cement 8.8 percent; and timber, 3.3 percent. Sales to rural areas by material departments increased 3.8 percent for coal, 50 percent for rolled steel, and 22.2 percent for timber. With the gradual development in the reform of the material circulation system, the number of capital goods trading centers increased from 656 in 1984 to 847 in 1985. Notable results were achieved in saving energy.

VI. Foreign Trade and Tourism

In 1985 further advances were made in economic and technical cooperation with foreign countries and more foreign capital was used. The province approved 51 joint ventures and cooperative projects, with an investment of \$470 million, and also used \$10.41 million of foreign funds. The province signed 9 contracts for overseas projects and labor service, worth altogether \$7.18 million. Contracts worth \$5.67 million were fulfilled, a 260 percent increase over 1984. Shaanxi further strengthened economic cooperation with other provinces. A total of 7,400 jointly undertaken projects were concluded, absorbing 450 million yuan of funds, an increase of 130 percent over 1984. Transactions in technology reached 630 million yuan and interflow of commodities amounted to 400 million yuan, a 200 percent increase over 1984.

The province's import and export trade expanded in an all-round way in 1985. Imports and exports totaled \$150 million, 26.9 percent more than in the previous year (a 41 percent increase with fluctuations in prices deducted). Of this sum, exports totaled \$100 million, an increase of 7.2 percent over 1984 (a 19.2 percent increase with fluctuations in prices deducted). The volume of export included \$80 million from industrial and mineral products and \$20 million from farm and sideline products. Imports totaled \$50 million, an increase of 96.6 percent over 1984.

With the gradual perfection of tourist facilities and improvement in service quality tourism developed rapidly in 1985. A total of 212,000 visitors from 89 countries and regions came to Shaanxi in 1985 on tours and visits and for trade, sports, scientific, and cultural exchanges, a 39.8 percent increase over the previous year. The total included 191,000 foreigners and 21,000 Overseas Chinese and Hong Kong and Macao compatriots. Foreign exchange (converted into Renminbi) earned through tourism was 70.99 million yuan, up 50.7 percent from 1984. Domestic tourism also developed considerably.

VII. Science, Education, and Culture

Science and technology advanced amidst reform, making fresh contributions to economic construction. In 1985 the province and central units in Shaanxi participated in tackling 45 major scientific and technological problems and hurdles enumerated in the state's Sixth 5-Year Plan and basically fulfilled the tasks on schedule. Of the 198 research items cited in the province's plan, 86 percent of the tasks were fulfilled on schedule. The number of major research results in science and technology came in 339 items, including 82 winning prizes from the provincial government, 3 winning national innovation awards in which the new breed of wheat Xiaoyan No 6 won a first-class award, and 5 obtaining patents. The contingent of scientists and technicians continued to expand. By the end of 1985, a total of 177,000 natural science professionals and technicians were employed in state-owned enterprises, 8,000 more than in the previous year.

Research in social sciences continued to serve economic construction, the academic atmosphere remained dynamic, and the number of research results increased.

During the year, the province sponsored a project evaluating the [word indistinct] research results accomplished from 1981? to 1984. A total of 798 items won outstanding awards, 6 won honorary awards, 5 won first-class awards, and 38 won second-class awards. The 1985 year-end figure of social science professionals employed in state-owned units totaled 165,000.

The reform of the education system promoted the sustained development of education. Institutions of higher learning enrolled 3,024 postgraduates, 1,739 more than in 1984. The number of postgraduates was 5,209, an increase of 2,066 over 1984. Of the total, 940 were graduated during the year. Following the reform of the enrollment and placement systems, universities and colleges enrolled 29,000 students, 7,000 more than in 1984. These schools had a total student body of 82,000 last year, 14,000 more than in 1984. Last year 15,000 students graduated from these institutions, 1,000 more than in the previous year. Adult higher education institutions (including television and radio college courses and evening schools and part-time colleges for workers, peasants, managerial personnel, and middle-school teachers) enrolled 23,000 students last year, 7,000 more than in 1984. These schools had a student body of 50,000, an increase of 14,000 over 1984. Graduates from these schools totaled 8,000.

Restructuring continued in secondary education. Secondary schools had 1,823,000 students last year, 85,000 more than in 1984. The total included 47,000 students in secondary technical schools, 4,000 more than in the previous year; 317,000 students in senior middle schools, an increase of 21,000; and 44,000 students in vocational middle schools (including agricultural middle schools), the proportion increasing from 6.4 percent in 1984 to 12.3 percent in 1985. There were 25,000 students studying at adult secondary technical schools and 63,000 at adult middle schools.

Primary school education developed on the basis of consolidation and improvement. In 1985 there were 3,679,000 million pupils in primary schools. The rate of school-age children entering schools rose from 96.8 percent in 1984 to 97.1 percent. Of the 106 counties (cities and districts) of the whole province, 72 popularized primary school education, accounting for 68 percent. Pre-school education also developed remarkably.

Cultural, press, radio, film, television, and publication units made new progress and played an important role in the building of socialist spiritual civilization. Last year 9 feature films were produced and 179 new full-length films were released. The province had 5,399 cinemas and film projection teams, 139 performing art troupes, 123 cultural clubs, 113 public libraries, and 41 museums. There were 4 radio stations, 10 radio transmitting and relay stations, and 4 television stations. Some 400 million copies of provincial, city, and prefectural newspapers, 26.53 million copies of various kinds of magazines, and 110 million copies of picture books were published in 1985.

VIII. Public Health and Sports

Medical and health conditions continued to improve. Professional health workers numbered 106,000, up 6 percent as compared with the end of 1984. The total included 50,000 doctors and 19,000 nurses, an increase of 3,000 and 1,000 respectively. The number of hospital beds reached 72,000 by the end of the year, an increase of 5 percent.

Great successes were scored in sports and mass sports activities were carried out extensively. In 1985 a province athlete broke an Asian record on one occasion, 11 athletes broke 6 national records on 7 occasions, and 66 athletes broke 84 provincial records on 108 occasions. The province's athletes won 128 medals at international and national games, including 58 gold medals. At the first national youth games, Shaanxi's athletes won 6 gold, 5 silver, and 6 bronze medals. The province also won 3 championships in international model airplanes and parachute jumping contests. The province's male basketball team ranked fifth at the national league basketball contests and its female football team won second place at the national tournament. A total of 560,000 people met the requirements prescribed by the "State Standards for Physical Culture and Sports Training," 120,000 more than in 1984.

IX. Living Standards

Income of both urban and rural inhabitants increased steadily. A sample survey of 2,210 peasant families in 37 counties showed an average annual per capita net income of 295 yuan (including 267 yuan from productive activities), an increase of 12.5 percent over 1984. If price hikes are factored in, real income increased 6.5 percent. A sample survey of 1,321 worker and staff households in 19 cities and counties showed an average annual per capita income of 610 yuan for expenses, an increase of 184.4 percent over 1984. When price hikes are considered, the real per capita income rose 10 percent.

Employment opportunities were given to people waiting for jobs, the number of workers and staff increased, and the wage reform of leading organs and institutions embarked on a new track. In 1985 jobs were given to 158,000 youths waiting for jobs, other personnel, and university, college, and secondary technical school graduates. The province had 3,365,000 workers and staff by the end of 1985, an increase of 130,000 over the previous year. Self-employed workers in cities and towns totaled 93,000 last year, 25,000 more than in 1984. The annual wages of workers and staff in 1985 totaled 3.59 billion yuan, a 16.6 percent increase over 1984. The average annual cash wage for workers and staff was 1,092 yuan, a 12.2 percent rise. The actual increase in workers' wages stood at 4.3 percent when the cost of living increase was factored in.

Urban and rural savings deposits continued to grow. Housing for urban and rural dwellers further improved. By the end of 1985, individual bank savings amounted to 4.48 billion yuan, 35 percent more than the 1984 year-end figure. The average per capita bank savings reached 149 yuan, 37 yuan more than in 1984. Houses completed by state-run and collective enterprises in 1985 totaled 3.33 million square meters of floor space, 370,000 square meters more than in the previous year.

Social welfare services continued to improve. Social collectives provided for 38,000 elderly, disabled, and orphans. There were 23 social welfare institutes in cities and towns in 1985 providing for 2,221 people. There were 1,091 homes for the elderly run by collectives in cities and towns, providing for 8,192 people.

X. Population

According to rough estimates, the province had 30,017,000 people by the end of 1985, a 1.2 percent increase or 360,000 people more than in 1984. Of the total population, males accounted for 15,655,000 or 52.2 percent; and females accounted for 14,363,000 or 47.8 percent. The province's birth rate in 1985 was 16.09 per thousand; the mortality rate, 5.00 per thousand; and the natural growth rate, 10.1 per thousand.

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CSO: 4006/889

ECONOMIC MANAGEMENT

NPC DEPUTIES URGE LIMITED INVESTMENT SCALE

OW291549 Beijing XINHUA in English 1532 GMT 29 Mar 86

[Text] Beijing, 29 March (XINHUA) -- Chinese National People's Congress (NPC) deputies today proposed the limiting of the country's investment scale through loans, credits, interest rates and other economic measures.

With enterprises granted greater decision-making powers, authorities in some areas have recklessly expanded production and increased investments, said Professor Song Zexing from northeast China's Liaoning Province.

Song, who teaches economics at Liaoning University, pointed out "This has resulted in duplication of construction and increased strains on transport and energy supplies."

This has also reduced funds and supplies of energy and raw and semi-finished materials for the country's key construction projects, he added.

The Chinese government had successfully controlled the investment scale and made the investment pattern rational by using bank loans to replace fund allocations for construction projects, among other measures.

"However, our banks have not fully exercised their function of regulating the economy," he said, adding that even with higher interest rates, they could not prevent enterprises from applying for loans.

This was because many enterprises were responsible only in name for profits and losses, he explained, "but they are actually responsible for profits only."

"That's why they will not go bankrupt even if they can not afford to repay loans," he said.

He expressed the hope that a law would be enacted promptly to specify the risks enterprises have to shoulder and the responsibility executives should assume for enterprise losses.

Li Changchun, secretary of the Shenyang City Communist Party Committee, said, "I'm going to propose during the current NPC session that the enterprise bankruptcy law should be formulated as soon as possible."

The law would impel businesses to improve management and economic efficiency, he added.

According to Li, Shenyang, capital of Liaoning Province, has achieved successes since the city government implemented local bankruptcy regulations among 1,400 collective enterprises in February 1985.

The regulations say that a business must shut down when its debts exceed the value of its fixed assets; such assets will be distributed among the creditors.

"The regulations have linked workers' interests to the performance of their work places," Li noted. Employees of some enterprises on the verge of bankruptcy had pooled their wisdom to help their work units become profitable, according to him.

Former Beijing deputy mayor Ye Lin told XINHUA that banks should strictly assess loan applicants and should not extend loans to those who consume excessive energy, have no markets for their products or are unable to repay loans.

"Our limited funds should be used for efficient projects and we must readjust the industrial mix and curb the scope of construction," said Ye, who spent many years in charge of Beijing's industrial production. "Otherwise, China's economy cannot take off," he stressed.

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CSO: 4020/256

ECONOMIC MANAGEMENT

COMMERCE MINISTRY TO STIMULATE GROWTH, ECONOMIC LINKS

HK010748 Beijing CHINA DAILY in English 1 Apr 86 p 2

[Text] The Ministry of Commerce will continue the current economic reform by furthering the growth of big and medium-sized state-run enterprises, promoting lateral associations, stimulating distribution of goods and enlivening the market, the newspaper ECONOMIC INFORMATION reports.

The ministry will give more decision-making power to enterprises by cutting unnecessary red tape, state-run enterprises will enjoy autonomy in production, supply and sale. Manager-run companies in cities will be revamped into companies to operate businesses or provide services.

Taxes turned in by collectively-run small enterprises will be used partially to subsidize depressed enterprises.

Tertiary industry, such as catering, public baths and repair services will have new wage scales tied to the incomes of the enterprises.

Industrial enterprises should have their own channels through which their products can be transferred directly to wholesale and retail stations.

Wholesale stations in producing areas should undertake sales services. They can develop ties with wholesale stations in other areas. Co-operation in selling will be encouraged.

Co-operation between commercial enterprises and industrial enterprises should also be further strengthened. Factories will be linked with wholesale stations under the principle of mutual benefit.

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ECONOMIC MANAGEMENT

NEW AUTONOMY FOR MANAGERS BRINGING DIVIDENDS

OW310604 Beijing XINHUA in English 0243 GMT 31 Mar 86

[Text] Shenyang, 31 March (XINHUA) -- Over 26 percent of the factories here are practicing a new management system with factory directors in full control, indicating a major progress in the current economic reform.

By practicing the system, the 233 state-run industrial enterprises last year registered a 34.4 percent increase in output value over 1984, city officials reported today.

Under the system, which was introduced to this major industrial city in 1985, factory directors have the power to make major decisions on production and management, including hiring and dismissing personnel.

Party secretaries are now relieved of the daily administrative responsibilities, thus able to concentrate on supervising over the implementation of policies and principles of the party and the state.

Shenyang city plans to implement the new management system in all its state-run industrial enterprises by the year 1987.

In many factories where the system is practiced, the officials said, workers' congresses meet twice or thrice a year to examine major decisions on affairs relating to planning, technical upgrading, wages and fringe benefits.

The directors want to be more democratic in performing their duties, the officials said.

China began to institute the system in 1984 to serve the new policies of invigorating the economy, which should be practiced in most of its industrial enterprises during the next five years.

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ECONOMIC MANAGEMENT

GUANGDONG'S ZHUHAI CITY CUTS BACK ON CONSTRUCTION PROJECTS

HK270509 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 23 Mar 86

[Text] Recently, Zhuhai City has reexamined and screened 33 major capital construction projects for export, which will soon be started as planned. The city will start projects by stages depending on their present fund raising situation their costs of earning foreign exchange, and their loan repayment capability.

These 33 projects are the major ones selected in January this year from among over 210 proposed projects. The aim of screening them again is to pool the funds so that some key projects can be started earlier. Following the screening, the city will soon start the construction of 20 projects, including a diesel engine power station with an annual generated energy output of 180 million kwh, a communications project for 20,000 telephone sets, a piggery for (Guangda) Animal Husbandry Company to house 100,000 pigs, and a factory with a capacity to make 64.8 million ring-pull cans for soft drinks annually.

Basically speaking, these projects can be put into operation this year, will have better economic results, incur lower costs in earning foreign exchange and produce goods for export. Those projects which do not have sufficient funds will be postponed until June this year. Others will depend on a further review of the city's financial situation in September this year. This year, the city will not start any capital construction which is not related to production.

At the same time, the city is increasing revenue and reducing expenditure by expediting the pace of withdrawing money from circulation, cutting administrative expenses, strengthening tax collection and mobilizing the masses to raise funds. Therefore, it can pool funds for construction key capital construction projects for export.

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CSO: 4006/874

18 April 1986

ECONOMIC MANAGEMENT

NPC DEPUTY DISCUSSES HUNAN'S INTERREGIONAL COOPERATION

OW011142 Beijing XINHUA in English 1130 GMT 1 Apr 86

[Text] Beijing, 1 April (XINHUA)-- Inter-regional co-operation has enabled resource-rich yet underdeveloped Hunan Province to produce an extra 1.1 billion yuan in output value last year, a senior provincial official said here today.

Jiao Linyi, a deputy to the National People's Congress, said, "our province has set up economic and technological cooperation ties with most other areas in China over the past two years."

This would help the province develop its natural resources and modernize its industrial technology and equipment, said Jiao, who is the chairman of the Provincial People's Congress Standing Committee.

He said, "I hope our province will produce another 1.1 billion yuan in output value a year after 2,000 cooperation projects go into operation."

Inter-regional cooperation should be "mutually beneficial" as stipulated in China's draft seventh five-year plan, he said. Hunan could supply grain, cement and other raw materials to other areas in exchange for funds and technology.

Cooperation among regions and departments was becoming increasingly common, according to the state statistical bureau more than 70,000 deals were struck nationwide over the past five years.

By pooling technology, work force, funds and raw materials, many enterprises were cooperating with one another in producing quality goods, the official said. This kind of cooperation would enable partners to expand production, improve productivity and reduce costs.

Large groups of businesses have been set up by breaking down regional administrative barriers, according to an earlier report. Among them are the Jialing motorcycle company in Sichuan Province and the number two motor vehicle plant in Hubei Province.

Such cooperation in developed coastal areas had turned scientific research results promptly into productive forces. Some cities near one another were planning to set up joint economic zones.

Jiao Linyi told XINHUA that Hunan had opened 60 roads to neighboring provinces since 1984 as part of its effort to boost inter-regional cooperation.

He expressed the belief that inter-regional cooperation would be a major characteristic of China's new economic structure.

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ECONOMIC MANAGEMENT

JILIN COMMENTARY CALLS FOR STABILIZING PRICES

SK280529 Changchun Jilin Provincial Service in Mandarin 1030 GMT 27 Mar 86

[Station commentary: "Resolutely Stabilize Market Prices"]

[Text] The focus of this year's commodity price work is to maintain a basic stability in commodity prices, which have a direct bearing on the people's lives, the overall situation of the national economic development, and on whether or not price reform can be carried out smoothly. We should fully affirm the remarkable results achieved by our province in price reform last year. We should also note, however, that the retail price index has shown a considerable increase this year, and vegetable prices, in particular, have risen by a fairly great margin. At present some latent factors for price increase still exist. For this reason, we should adopt effective measures to stabilize prices, and bring the increases in retail prices under strict control. This calls on us to strengthen guidance and control over the prices of the commodities sold on village fairs and by self-employed peddlers, and to impose ceiling prices on [words indistinct] if necessary. We should continue to supervise and check commodity prices, and governments at all levels should organize overall large-scale inspections. At the same time, we should pay attention to price inspections during festivals, and on key trades, varieties, and seasons. Commodity prices are an overall reflection of the national economy. Price departments should work diligently, fulfill their responsibilities and duties, and properly perform their functions of controlling and supervising commodity prices. Departments in charge of the overall economic work should strengthen control over the macroeconomy, and strive to maintain a balance in finance, credit, supplies, and foreign exchange. Departments in charge of various professional work, and the great number of enterprises should strictly implement price policies. The masses of consumers should actively support the price reform, participate in the supervision and inspection of commodity prices, and struggle against random price increases. Only when all quarters swing into action and make concerted efforts can we stabilize prices, and promote the price reform.

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CSO: 4006/874

ECONOMIC MANAGEMENT

LIAONING NPC DEPUTIES ON INVIGORATING ENTERPRISES

OW311250 Beijing XINHUA in English 1231 GMT 31 Mar 86

[Text] Beijing, 31 March (XINHUA)-- The continued invigoration of major state-run enterprises will help shorten the process of transforming China's old economic structure into the new.

This view was expressed by the deputies from Liaoning Province, an old industrial base in northeast China, in the panel discussion of Premier Zhao's report to the current session of the National People's Congress.

The deputies agreed that state-run enterprises, particularly large and medium-sized ones, were most restricted by the old rigid structure.

"Major enterprises are the main builders in China's modernization drive," said Li Changchuan, secretary of the Shenyang City Communist Party Committee.

The provincial capital of Shenyang has 151 major factories -- three percent of the city's total. They account for 72 percent of the total value of fixed assets and 68 percent of the total amount of profits and taxes paid to the state.

"Our province's 500 major enterprises have not displayed their due efficiency because of restrictions in the old economic structure," said Governor Quan Shuren.

These factories still have to solve some big problems in management despite initial reforms over the past few years, he said. These include dependence on the state for unified purchasing, marketing, and allocation of funds, materials and labor.

Moreover, he added, the factories are still subject to regional and departmental division, and the practice of doing everything by themselves is common.

Quan said that the solution to the problem lay, as Premier Zhao Ziyang said in his report to the NPC session, in turning major enterprises into socialist commodity manufacturers and dealers, with full authority for their management and responsibility for their profits and losses.

Liaoning deputies agreed with the premier that to further invigorate enterprises, it is imperative to continue adopting measures both inside and outside.

They aired the view that major enterprises should enjoy greater decision-making powers in production and management. However, it is even more important for them to win competition by carrying out reforms from within and by improving management.

They listed the following as essential to invigorating major enterprises:

--divide accounting units into smaller ones or affix output quotas to workshops and individuals;

--expand association among themselves;

--rely on themselves for technological upgrading and development; and

--intensify the system under which factory directors are responsible for production and management

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ECONOMIC MANAGEMENT

NEI MONGGOL MEETING OF INDUSTRIAL-COMMERCE BUREAUS

SK252332 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 24 Mar 86

[Text] The regional conference of directors of the industrial and commercial administrative bureaus concluded on 22 March. The conference stressed that the industrial and commercial administrative work in 1986 should be centered on consolidating enterprises, enhancing economic supervision, and on doing a good job in popularizing and publicizing industrial and commercial regulations and rules in order to deeply investigate and deal with the activities violating the law and discipline and to make contributions to enlivening commodity circulation and improving the newly developed market system.

The conference pointed out: Consolidating companies is one of the state's major and important policy decisions. Work in this regard first is aimed at fulfilling the task of separating enterprises from government administration, and at giving a free rein to enterprises by creating external conditions, enlivening enterprises' business, and upgrading their quality; and second, is aimed at further straightening out the business orientation of enterprises and making good preparations for taking a greater step in conducting reforms in the future.

The conference stressed that the industrial and commercial administrative departments should give priority to the work to conduct economic supervision and inspection and make concerted efforts with the departments concerned to deal blows to economic crimes in order to maintain the socialist economic order and to bring into full play the function of the industrial and commercial administrative organs in [words indistinct]. In enhancing economic supervision and investigating and dealing with economic crimes, efforts should be made to define key points concerning violations and to carry forward such operations through to the end. It is necessary for us to concentrate our efforts on vigorously dealing with major or serious cases and to do a good job in earnestly consolidating public security in a comprehensive way. A good job should be done in conducting the work before or after having dealt with these cases in order to achieve social benefits.

The conference contended that enforcing the economic responsibility system in an all-round way; harmonizing, supervising, and controlling the signing of economic contracts; and encouraging or setting up lateral transregion and cross-trade economic associations constitute the objective demands in currently enhancing macroeconomic control. The industrial and commercial

administrative departments at all levels should bring their function into full play, enhance their management, strictly enforce legal systems, and should correctly deal with the relationship between conducting planned guidance and regulating markets in order to realize the principle of macro-economic control and microeconomic flexibility and to vigorously manage well the grand socialist unified market.

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ECONOMIC MANAGEMENT

SHANXI MEETING ON RURAL COOPERATIVE ECONOMY MANAGEMENT

HK240309 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 23 Mar 86

[Excerpts] A provincial conference on rural cooperative economy management work concluded in Yanggao County on 22 March. This was the first conference on this topic to be held by Shanxi since the 3d Plenary Session of the 11th CPC Central Committee. Vice Governor Guo Yuhuai and Li Youjiu, adviser to the Ministry of Agriculture, Animal Husbandry, and Fisheries, spoke at the conference.

The conference held: In the wake of the rural economic structural reforms, the rural economy has switched from the three-level commune and brigade collective ownership system based on the production team to a two-level cooperative economic organization with unified collective operations and also household operations.

The conference demanded that from now on, the whole province spent a concentrated period of time and concentrated efforts and leadership on launching a drive to take stock of and sort out finances. It is necessary to get a clear picture of the [word indistinct] of the collective economy, clarify the reasons for financial chaos, and solve properly economic problems such as cadre misappropriation of public funds, contract disputes, and so on. We must give the cadres and masses education in collectivism, socialism, and communism, and also in obeying the law.

The prefectures and counties must also help the townships and villages to further perfect the rural cooperative system and contract system. Like Yanbei and Yuncheng prefectures, we should set up rural economy service systems.

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ECONOMIC MANAGEMENT

TIANJIN MAYOR STRESSES LATERAL ECONOMIC TIES

OW311156 Beijing XINHUA Domestic Service in Chinese 1547 GMT 29 Mar 86

[By reporter Zhan Xiang]

[Excerpts] Beijing, 29 Mar (XINHUA) -- Li Ruihuan, an NPC deputy and mayor of Tianjin, said: some of our country's successful experience gained during the Sixth 5-Year Plan has not yet been fully understood by people. We should seriously sum up the experience of the Sixth 5-Year Plan and use it to conscientiously guide our work during the Seventh 5-Year Plan.

As the fourth session of the Sixth NPC, the experience gained by Tianjin Municipality in reform during the Sixth 5-Year Plan attracted reporters' attention. Today, Li Ruihuan recalled the past and gave his forecast for the future to reporters.

Li Ruihuan said: "Vital interest compelled is to take the road of lateral economic cooperation. Only in this way, can we bring into lay the role of Tianjin as a central city in the course of the four modernizations." He analyzed the inevitable trend of lateral economic cooperation and said: In the past, for instance, many localities in China had to rely on Tianjin to supply soap, not because they did not know how to manufacture soap but because they lacked raw material. Today it is no longer necessary for Tianjin to have so many soap factories because many other localities have the raw materials for soap and can manufacture it themselves. Therefore, with the development of the economy, Tianjin Municipality, a city with a high level of technology, should concentrate on the development of high-tech products, run pioneering enterprises, and let other localities make soap which does not require high technology but has high transport costs.

He said: Tianjin has invested several million yuan in an aluminum plant run in cooperation with Gansu Province. The plant, located in Gansu, processes locally-mined aluminum ore with local energy resources and thus saves ore transport costs. Tianjin uses the aluminum produced by the plant in making doors and window frames and thus saves energy. The plant benefits both Gansu and Tianjin.

In order to develop lateral economic cooperation, not only should we enhance our understanding of the inevitability of such cooperation, but we must also abandon the conventional mentality. Li Ruihuan humorously said: "The make

shift shelters for earthquake victims in Tianjin have been torn down. When some people moved into new houses, they took with them broken brick and bamboo from the demolished makeshift shelters. In the course of developing lateral economic cooperation, some of our leaders have the same mentality of being unwilling to part with old things. They still want an all-embracing local industry, and they even want to be self-sufficient in everything. This is a force of old habit."

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18 April 1986

ECONOMIC MANAGEMENT

USE OF STATISTICS IN TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Beijing NONGCUN CAIWU JINGJI [RURAL FINANCIAL ACCOUNTING] in Chinese No 12,
6 Dec 85 pp 27-31

[Interview with unidentified member of the Office of Statistics of the Township and Town Enterprises Management Bureau of the Ministry of Agriculture, Animal Husbandry and Fisheries: "Questions, Answers on Statistics for Township and Town Enterprises"; date and place not given]

[Text] Editor's note: Along with the continuous economic development of township and town enterprises in recent years, adjustments and revisions have been made in the methods, systems, scope, and calculation specifications of statistics for these enterprises. In particular, after the announcement of new standards and explanations of directives on statistics of the National Planning Commission, Economics Commission, Bureau of Statistics and Bureau of Standards, many readers have written asking for information on what changes and regulations there will be for township and town enterprise statistics. Comrade Wu Yongxiang's [0702 3057 4382] article, "Township and Town Enterprise Statistics," published in this journal, supported adhering to original specifications in the statistical scope of township and town enterprise. Therefore, we have specially requested that the Office of Statistics of the Township and Town Enterprise Management Bureau of the Ministry of Agriculture, Animal Husbandry and Fisheries answer a few relevant questions. [End of editor's note]

[Question] What changes and regulations have been made in the statistical scope of township and town enterprises?

[Answer] Since the issuing in 1984 of Central Committee documents No 1 and 4, township and town enterprises have developed rapidly, breaking the tradition restricting them to the bounds of the collective and giving rise to a situation in which the collective, cooperative and self-employed develop together and the "five wheels" turn in synchronization nationwide. Therefore, in order to reflect the development of township and town enterprises, the current scope of statistics in such enterprises has been expanded from the original two-level system of township and village to one in which the townships, villages, and some commune members run enterprises cooperatively, and including other forms of cooperative and individually run enterprises. With the approval of the National Bureau of Statistics, the Township and Town Enterprise Management Bureau of the Ministry of Agriculture, Animal Husbandry

and Fisheries drew up clear regulations on some practical problems in its 1985 township and town enterprise statistical system:

1. All enterprises already established of all types run by towns or prefectures will belong to the statistical scope of the township and town enterprise. 2. No matter what the system of ownership, no enterprise directly subordinate to the provincial, prefectural or county township and town enterprise bureaus (including specialized companies), shall belong within the limits of statistics. However, managing departments of provincial, prefectural and county township and town enterprises and enterprises run cooperatively by township and town enterprises can all be incorporated into within these limits. 3. The various enterprises in the towns in which peasants participate all shall belong to these statistical limits. 4. Output value for township and town construction industries shall be computed by the locality in which the construction industry is located. 5. Township and town real estate operations, (such as land sales and housing rentals), do not belong within these limits. 6. Statistics for multiregional combined enterprises are the responsibility of the locality where the enterprise is located.

[Question] What aspects shall be included in the computation of gross output value of multitown industries, and how will this be different from the past?

[Answer] Specifications for figuring GVIO before 1984 were based on the relevant 1972 regulations of the National Bureau of Statistics. Along with the general industrial survey conducted nationwide, the state designated new methods of calculation to figure the GVIO. According to current regulations, this should include the following:

1. The value of finished products. This refers to products that have left the original enterprise and the realm of activities of industrial production, and are no longer processed within the original enterprise. Semifinished products ready for sale are also the original enterprise's products. Finished products value includes the following: (1) value for finished products manufactured by raw materials provided by the enterprise itself that have been sold or are ready for sale; (2) value for finished products manufactured using the enterprise's raw materials that are intended for use in the enterprise's departments of capital construction, administration and management, and social welfare; (3) the value of equipment manufactured by the enterprise; (4) the value of finished products made to order, processed from materials from the outside; (5) the value of semifinished products that have been sold or are ready to be sold.

2. Industrial operations value. Gross output value in industrial operations is computed according to processing costs, not including values of repaired or processed products. It should be included, however, in the value of materials and parts that are consumed in the course of industrial operations.

Industrial operations value basically includes the following: (1) the value of industrial product repair done on contract (repair of machinery, equipment, and tools of communications and transportation); (2) the value of processing, repairs and equipment installation for specialized engineering and social welfare departments of an enterprise; (3) operational value involved in the

completion of major repairs of machinery, equipment, and tools of communication and transportation of an enterprise; (4) value of specific procedures (such as polishing, painting, electroplating, drilling, cutting, buttonmaking, and printing) in processing unfinished products made on order from materials and parts from the outside.

3. The margin value of inventory at the end or beginning manufacturing periods of semifinished products. At the end or beginning periods, semifinished products in enterprises with short production cycles (within 6 months), do not have to be calculated if the margin of value fluctuation is not great.

The major differences between current regulations and the specifications within the original scope of the computation of GVIO are: The original methods do not include the value of major repairs involved in industrial operations and the value of repairs and equipment installation for departments of specialized engineering and social welfare of an enterprise, that is, the value of industrial operations for items 2 and 3.

[Question] What changes will there be in the classification of township and town industry?

[Answer] Past classification was based on the 1972 regulation of the National Planning Commission and the National Bureau of Statistics which divided township and town industry into 15 industrial departments. In 1985, the National Planning Commission, Economic Commission, National Bureau of Statistics, and the National Bureau of Standards made a major readjustment of guidelines for industrial classification nationwide based on the development of the national economy, and promulgated new national standards regarding industrial classification. Based on these new standards, township and town industry was reclassified, transforming the original 15 industrial departments to 40, including the following general categories: (1) coal mining; (2) petroleum and natural gas; (3) ferrous metals mining; (4) nonferrous metals mining; (5) the construction materials industry and other nonmetallic mining; (6) the salt industry; (7) other mining industries; (8) lumber and bamboo industries; (9) the production and supply of running water; (10) the food-processing industry; (11) the beverage industry; (12) fodder processing; (13) tobacco processing; (14) the textile industry; (15) sewing; (16) leather and fur products; (17) lumber processing and bamboo, rattan, palm, and straw products; (18) furniture; (19) paper and paper-products manufacture; (20) printing; (21) educational and physical education aids; (22) arts and crafts products; (23) production and supply of electric power, steam heat, and hot water; (24) petroleum processing; (25) coke and gas products; (26) the chemical industry; (27) pharmaceuticals; (28) synthetic fabrics; (29) rubber products; (30) plastic products; (31) construction materials and other nonmetallic products; (32) ferrous metals smelting and pressing and extending; (33) nonferrous metals smelting and pressing and extending; (34) metal products; (35) the machine industry; (36) communications and transportation tools; (37) electrical machinery and equipment; (38) electronic and communications equipment; (39) scientific instruments and instruments of measurement; (40) other industries.

[Question] Will the units of measurement in the calculation of product volume for rural township enterprises be changed?

[Answer] In order to unify the units of measurement used nationwide for production volume in township and town enterprises, the terms, "jin" and "dan" shall, according to the 1984 "Order On the Unified Legal System of Measurements of China" of the State Council, No 28, be eliminated from township and town enterprise statistical charts, and be replaced by "kilo" and "ton" as units of measurement. The term "mu" used in statistics for township and town agricultural enterprises shall, for the time being, not be altered.

[Question] How will gross output value for township and town construction enterprises be figured?

[Answer] Township and town construction enterprises have constantly grown in the past few years, and have become an important component part of township and town industry. Due to the fact that many township and town construction enterprises are contracting for large-, middle- and small-scale building projects and providing labor in towns and cities, there is a problem in the computation of gross output value for these enterprises, of statistical coordination with state-run and urban collectively run construction enterprises. To avoid overlap and oversights in computing gross output value for the three levels of enterprise, the following regulations have been devised:

1. When township and town construction enterprises function as independent contracting units (contracting for a complete construction project, including construction of buildings, installation, repair, and supply), gross output value is to be computed according to gross output value calculation methods used in state-run construction enterprises.
2. With the exception of circumstances in which construction materials are supplied by Party A for adopting total contracting, township and town enterprise that contracts for a particular project, should also be regarded as an independent contracting unit, and its gross output value should be computed in a similar manner.
3. When a township and town enterprise functions as a nonindependent contracting unit (when contracting for part of a construction project, such as earthworks, internal repairs, etc.), gross output value shall be replaced by estimated price.
4. When a township construction enterprise combines with other units (when several construction enterprises contract together for a relatively large-scale project, while maintaining an internal division of labor and independent accounting), gross output value for the contracted project shall be computed separately according to the amount of work completed after reaching mutual agreement among all contracting units involved.
5. For township and town construction enterprise unit contracting projects (including projects below the level of unit projects), real income shall

replace gross output value. This will be the same for construction enterprises that supply labor.

6. Township and town construction enterprises that lack detailed budgeting and statistics provided by Party A, can calculate gross output value based on the amount of completed work (completed area), multiplied by the per square meter unit building cost.

7. Output value for subcontracted projects involving township and town enterprises shall be computed by the unit in charge of construction.

[Question] How shall output value and volume for township and town enterprises using imported raw materials and parts in processing and repairs be calculated?

[Answer] According to the spirit of "Tonggongz:" Document No 260 of the National Bureau of Statistics (1985), the statistical specifications for these products shall be:

A. Output value for products processed, assembled or manufactured using materials or parts from foreign businessmen (including Hong Kong, Macao, and Taiwan industrialists and businessmen) that are to be sold by them shall be computed according to processing costs (including the value of self-provided raw materials and parts), without exception, no matter what the level of complexity of the work. Product volume is not to be included (in product volume) for domestically manufactured products.

B. Statistics for product volume and value for products processed or assembled with imported raw materials and parts (including foreign trade, commercial, local foreign exchange and enterprise foreign exchange imports), shall be dealt with according to the following regulations: (1) Output value for products manufactured with imported raw materials or key parts for which product volume statistics are a part of domestic product volume for the same category of product, shall be computed at full price, whether the products are sold domestically or abroad. (2) In order to reduce false increases in product value, output value for products processed or assembled using entire sets of bulk parts imported from abroad shall be computed based only on processing costs, not including the value of the imported parts. Statistics for product volume are a part of domestic product volume for the same category of product. The computation of volume and value for products processed or assembled with imported parts shall follow the same lines.

C. Product volume and value for products manufactured by township and town enterprises working in cooperation with foreign-owned enterprises shall be computed only by the township and town enterprises.

[Question] How shall rice milling, tailoring, and other trades that are part of township and town enterprises be dealt with in computing GVIO?

[Answer] It has been reiterated that in the 1985 township and town enterprise system of statistics, the 1972 regulation of the National Bureau of Statistics stating that output value for milling rice, embroidery, grinding powder,

slaughtering, tailoring, and other procedures performed by enterprises of the rural people's communes would be computed according to nature or industrial operations not including the value of raw materials would be continued. The purpose of this is to ensure coordination with national economy statistics.

[Question] Should tax reductions and waivers or overdue fines be included in statistics for the payment of taxes to the state by township and town enterprises?

[Answer] State tax revenue refers to the amount of taxes paid by township and town enterprises according to tax codes and regulations, and includes product taxes, appreciation taxes, business and income taxes, but not reductions or waivers of tax payments and overdue fines. This is because the purpose of tax reductions and waivers is to protect the development of focal enterprises and industries to promote their growth. Enterprises should deal with reductions and waivers according to the relevant regulations of the financial system, as they are not taxable. Overdue fines are levied by the state financial and tax departments on enterprises for tardy tax remittance, and are not to be included as tax revenue.

[Question] Can output value be computed for township and town service enterprises?

[Answer] Service industries are not a part of the material production departments of the national economy. Although the state has recently categorized the service industry as a tertiary industry, no clear, unified regulations have been issued yet concerning the computation of output value for service enterprises. Therefore township and town service enterprises will not compute output value in their statistics for 1985; nor should output value be replaced by revenue in these enterprises, because service enterprise revenue is not a part of the first distribution of national income.

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INDUSTRY

JOURNAL REPORTS ON SHIP CONSTRUCTION DESIGN, DEVELOPMENT

Shanghai ZAOCHUAN JISHU [MARINE TECHNOLOGY] in Chinese, No 10, Oct 85 pp 1-7

[Article by Cheng Tianzhu [4453 1131 2691]]

[Text] In the last several years, the opening up of the shipping export market and changes in China's shipping needs have been accompanied by improvements in China's older shipping stock--new types of ships have been developed, and marine research and planning have advanced quite rapidly. However, a large gap remains between China and the advanced countries in terms of shipping development.

The current trend in international ship design is to stress energy conservation, labor-reduction, and automation, and the economics of shipbuilding and operation are emphasized. These objectives are also shared by ship designers in China. Although certain conditions favor the development of ocean-going, coastal, and inland water transportation in China, there are other factors which do not, and this accounts for the distinctive features and complexity of the Chinese work on ship design.

China's shipping industry must exploit currently existing expertise in shipping research and design, while also importing advanced technology from abroad and vigorously developing new ship designs.

In the next few years, advances in China's ship designs will be marked both by a proliferation of types and by standardization. Although small and mid-sized ships continue to account for most of the tonnage, research and development for larger ships will also enter a new and more specialized stage. Designs that are particularly demanding in terms of technical difficulty and concentration of research effort will be developed and formally specified. Advanced research will also be done on ships with large beam-to-draft or length-to-beam ratios, and this may result in substantial changes in the linear dimensions of sterns. Other types of vessels (such as propeller-driven ships) will become more efficient, and effective use will be made of computer technology and research on novel ship designs. The primary objective is to decrease construction costs and raise profits.

1. Focus of Work on Ship Design

By progress in ship design, we mean research on new ships and the upgrading of older vessel designs. By the development of new ships, we mean coming up with new types of ships and specifications, while upgrading the older designs means renovating older ships to make them technically and economically more efficient. In general, when we refer to ship design development we will also have in mind the related areas of design technology and theory.

The primary task of the shipping industry and technology is to develop new types of ships; the objective is to continually come up with new designs which are technically and economically superior and can meet the need of China's shipping departments. In order to accomplish this, one must pay careful attention to changes in the shipping markets and to trends and developments in ship-building techniques both in China and abroad. We must strive to accurately forecast the growth of government shipping departments and estimate how quickly developments in ship design will accelerate changes in modes of transport. Useful new ship designs should be vigorously developed in order to satisfy the needs of the relevant departments and promote the development of new modes of transport.

The primary responsibility of the shipping industry departments is to develop good ship designs. Proper design requires that preliminary designs be tested and that the best ones be kept for future use; a host of related technical problems must be looked into and solved. Then when it becomes necessary to construct or renovate a given ship, detailed plans can be quickly formulated and the total time required for design and manufacture can be decreased. Skillful preliminary work can provide a reliable support for planning and development in the shipping and allied industries. Since one of the chief objectives of this work is to meet the construction cost quotas, every effort must be made to reduce expenses during construction and to maximize efficiency.

In summary, skillful design can be economically very beneficial to departments involved in the use and construction of ships.

2. Brief Survey of Developments in Ship Design Outside China

Since World War II, great progress has been made in ship building and marine transport worldwide. Obsolescent ships are continually being renovated and new types of ships developed. By the beginning of the fifties, oil tankers of the 30,000-ton class were available, and freighters were capable of making 16-17 knots. In the fifties and sixties, container ships, roll-on, roll-off vessels, and other new types of transport vessels were developed in rapid succession and further refined. This process stimulated some important reforms in marine transportation. In what follows we give a rough idea of some general trends in boat design during the past decade.

Oil tankers in the large and very-large tonnage classes have appeared. The maximum loading capacities for oil tankers, coal ships, and cargo ships are 556,000, 260,000, and 224,000 tons, respectively. The large ships have powerful diesel engines and are highly automated; their structural design is

optimized to meet high technical and economic standards. Most ocean-going cargo ships are either of the 27,000-ton class (able to navigate large lakes), or larger (35,000 tons) but still easy to handle; there are also 60,000-ton Panama [canal] types, and a few cargo ships in the 125,000-and 175,000-ton classes. Although the needs of global economic development are dictating the design of ever-larger ships, there are limits imposed by various additional factors. As an illustration, we may cite the disuse of super-large oil tankers in recent years. Special-purpose ships have appeared continually during the last two decades to permit the transport of a wider variety of commercial goods more cheaply, safely, and efficiently, and to accommodate innovations in transport methods. As examples we may cite the specialized ships used to transport liquefied gas (both natural and petroleum gas), weak acids, alcohols, benzene, nitrogen, and other products needed by the chemical industry, refractory materials, sugars, powdered ore, coal, solvents, cements, lumber, paper pulp, and large commodity items (cars, steel products, etc.). At the same time, ships have also been built which can be used for several purposes, such as transporting both ore and oil, or crude oil and commodity goods. Of course, there are also many multipurpose cargo ships which have evolved from previous designs and comprise an important percentage of the ships that are built.

The equipment used on ships is continually being replaced and technologically upgraded in order to accommodate changes in marine transport technology and ship design. In particular, the level of automation is being increased continually--for instance, the navigation control system has been improved--through research on equipment reliability and exhaustive testing by computer simulation.

The energy crisis during the past 10 years has made energy conservation an important consideration throughout the world. The principal measures used for greater energy efficiency may be summarized as follows. 1) The cruising speed may be decreased for more efficient fuel utilization. 2) The diesel engines may be made more efficient--the best diesels currently available have consumption rates as low as 120 grams per horsepower-hour. 3) Ships can be designed to run on lower grades of fuel and coal. The United States has some newly constructed coal ships which employ two separate sets of engines, in spite of the high cost that this imposes. One engine is a coal-fired steam turbine system, while the other is a diesel that operates at moderate speeds; the former is used during ocean transport, while the latter takes over upon leaving and entering port. 4) One can use dynamo generators and employ a system to re-use excess heat generated by the main engines. 5) Screw design can be improved (e.g., by decreasing the rpm's, using special blade profiles, etc.), and various types of apparatus can be employed to make the screws more efficient. 6) The shape of the vessel can be streamlined to minimize drag and improve efficiency, e.g., by fabricating the hull from a self-polishing material. In the last few years, many ships have been equipped with sails to conserve fuel by using windpower as an auxiliary power source; the Japanese have been particularly successful here.

Many advances in hull design have also been made in recent years. Particularly noteworthy is the 3-8 percent decrease in resistance which can be achieved by streamlining the profiles of the bow and stern so that they are

rounded rather than linear. Moreover, barge-shaped vessels with a high beam-to-draft (B/T) ratio have demonstrated good performance in Japan and the Soviet Union; the Japanese have built ships with B/T ratios as high as 8.4 and with large deck areas for transporting construction materials.

The recent trend toward slower navigating speeds has made it possible to design ships which are nearly square; for example, the United States has constructed 28,000-ton-class ships with a length/beam ratio of 0.966 which are self-unloading and very economical to operate.

During the sixties and seventies, a system was adopted and actively implemented in Japan, Great Britain, and other advanced ship-building countries for standardizing commercial ship design. These methods are of particular interest and are based on an exhaustive assessment of the economics of ship construction and operation, with emphasis placed on the continual improvement of the more common ship types during the design stage so as to ensure high performance. Since such designs are generally well-received by users, brisk sales should make mass production feasible, with attendant economies of scale (the logistics of obtaining the materials and equipment for mass production are simpler, so materials are used more efficiently, costs are lower, productivity is higher, and ships of guaranteed high quality can be built in less time). Ships built according to these commercial standards are both cheaper to produce and less expensive to purchase, which is highly desirable both from the manufacturer's and the user's point of view. This accounts for the effort expended in this area, which has become one of the critical areas in ship design. The adoption of these standards outside China has already proven enormously beneficial.

In what follows, we will describe some of the methods employed by Japanese shipbuilders, whose work on ship design has been particularly outstanding. After 1950, the Japanese embarked on a vigorous campaign to develop their internal shipping industry, based on the analysis and selective importation of shipbuilding technology from Europe and the United States. As it turned out, the needs of the international shipping market at that time further stimulated Japanese shipbuilding and further strengthened its competitive position. This sufficed to make Japan the world's leading ship producer by 1956 in terms of the number of ships built, and this position has been retained ever since. The work done on new boat designs served as an active catalyst in these developments. Their ability to design and manufacture new types of ships with precisely predictable properties enabled the Japanese to capture a large share of the market and stimulated mass production, promoted the development of new technology, and made it possible to build better ships more cheaply. This accounts for the preeminence of the Japanese in the face of world competition.

The Japanese success in new ship design has been commensurate with the great effort they have expended in this area. The Japanese ship builders and designers closely monitor changes in the world market and guide their activities accordingly, so that the necessary crucial technology and design plans will be in place and the introduction of new boats can be timed for maximum advantage. For example, during the era when larger ships were being designed, the Japanese were quick to analyze and study the necessary performance, structure, materials,

equipment, and manufacturing techniques. They addressed and solved the relevant technical problems and established manufacturing facilities for expediting research and development of large ships.

The Japanese also freely adopted shipbuilding technology from overseas--all areas were subjected to scrutiny and assimilated, from design to processing and manufacturing, from technical "tricks" to the design of accessory equipment--and the Japanese shipping industry quickly advanced to a leading position. In addition, other technical developments were widely implemented and provided a firm technical foundation for the shipping industry.

The Japanese approach described above, in which civilian and government industries, shipbuilders, and ship users all play a part, has proven to be quite successful.

One can profitably draw on the Japanese experience in ship standardization and classification. In the late sixties and early seventies the active promulgation of these standards promoted the development of the Japanese shipbuilding industry. Shortly thereafter, orders for the new ships began to come in at a rate sufficient to support mass production, with as many as eighty 10,000-ton cargo ships being ordered at a single time. The standardized ships marketed internationally by the Japanese proved to be highly competitive. Market competition has intensified in recent years and has forced the Japanese builders to revise their earlier standards to reduce the cost of manufacturing and operating their ships, and newer ship designs have been promoted. Emphasis is now placed on the overriding need to use every available means from the design state on up to minimize construction and operating costs. The engineering used to design the ships and the selection of equipment must be cost-effective in terms of the value contributed to the final product; scientific designs optimized for maximum performance are required. At the same time, older proven technology is also included in the new standards. The systematic design procedures and the advanced technical and cost-assessment criteria have enabled the Japanese to achieve continuous mass-production. The Japanese builders have concluded that the most effective method for cutting construction costs is to concentrate on mass-producing standardized ships which are "fool-proof" (can be built without defects during the manufacturing process). This is an effective strategy in today's more competitive market.

World shipbuilding is currently depressed, many builders have gone out of business, and there is no sign of any upturn in orders. The Japanese have not been immune to this, and their orders remain far from satisfactory. Their response has been to search for alternative, stable production schemes and to do everything possible to decrease costs and enhance their competitive position while actively developing new ships that use high technology even more extensively. They hope that the market can be bolstered and expanded further through the use of superior technology. These new ships employ automation, energy conservation, electronics, and space technology developed in the sixties and seventies, along with new materials. The equipment is more reliable, energy conservation is practiced throughout, and the higher level of automation decreases the need for human labor. In addition, other developments are in the offing, such as technologies for hydrogen fuel, solar power, nuclear power, and

deriving power from ocean waves, as well as superconducting magnet propulsion systems. The development of new designs will stimulate shipbuilding and bring great changes in marine transportation.

3. Outline of Chinese Work on Ship Development

Since the Revolution in 1949, ships of every shape and description have been designed and built independently in China and have sufficed to meet most of China's needs for both inland waterway and marine transportation; in the last few years, China has also built some ships for export which have been well-received both by foreign registries and ship owners.

Chinese shipbuilding has gained experiences in advanced research and development and testing techniques, and a corps of well-qualified technicians has been trained. There are several hundred shipyards of various sizes and facilities for large-scale mass production. The shipbuilding infrastructure is sufficiently large and well-developed to contribute to the further development of China's inland water transportation and help China break into the world market. Nevertheless, because of China's failure to keep pace with developments in earlier years, coastal and inland navigation in China remains at a low technical and economic level when judged by advanced international standards, and our ocean-going ships also lag appreciably. Several difficulties currently confront shipbuilding in China, of which the most serious are as follows. 1) The overwhelming majority of Chinese ships are of low tonnage. 2) Some types of ships remain unavailable, such as large ships with refrigerated storage compartments in the medium- to large-size classes, large ferries for carrying vehicles and passengers, ships for off-sea fishing and processing, lighters, freighters for transporting chemicals and liquefied natural gas, etc. 3) Although bulk cargo and hybrid ships began evolving along independent lines back in the fifties elsewhere in the world, this has not occurred in China. 4) China began developing container ships only toward the end of the seventies, well after such ships had first appeared elsewhere (in 1956). 5) Ship design has become increasingly specialized in Japan and in the West, which contrasts with the low degree of specialization in China. 6) We have yet to develop standardized commercial ships of adequate quality. 7) Chinese-built ships may be quite inferior to the best ships produced elsewhere in terms of fuel efficiency, deadweight tonnage, automation, and available auxiliary equipment. Highly precise satellite navigation technology has not been used to improve navigation, and noise and vibration remain a problem. Finally, the equipment in the engine and control rooms is considerably inferior to that available elsewhere.

The situation described above has come about primarily because China did not give enough attention to ship design in the past. For a long time, the lack of available designs seriously limited the selection of ship types available to users. In many cases, because research and development began only after a ship had been ordered, construction time was increased and the inevitable problems in design, engineering, and maintenance hurt ship quality and construction efficiency. The failure to do the preliminary work satisfactorily and the insufficient time allotted to design assignments made it impossible to meet the budget targets during the design stage. Moreover, because the design

work was not done first, there was no way to make appropriate arrangements for selecting lines of auxiliary equipment and developing specialized mass-production methods. As a result, it was impossible to produce enough of anything, and many products were completely unavailable. One lesson to be learned from this early experience is that unless the design of new ships is taken seriously, the result will be needlessly complex, ill-designed ships, and efficient shipbuilding will hardly be possible.

The importance of ship design work to the modernization of the shipping industry and for sustained production growth was recognized after the China Shipping Industry Corporation was founded, and a serious effort was made to strengthen design work. For the past 2 years, this corporation has provided the relevant plants, institutes, colleges, and schools with guidelines for research into several types of civilian ships. The objectives include improving and upgrading existing ship types, and developing new designs for civilian shipping. A small amount of auxiliary funding was also provided to support the work. To guide the development of civilian shipping, the technical department of the China Shipping Industry Corporation also organized an advisory group in which workers from shipbuilding plants, specialists, and professors from colleges involved in ship research and design were invited to participate.

In the last 2 years or so, some progress has been made in ship design. The China Shipping Industry Corporation has developed several criteria for judging the most important features of ship performance. These criteria include the deadweight coefficient ($DWT/LPP \cdot B \cdot D$); the parameter $DWT^{2/3} \cdot V^3 / CSR$ involving the deadweight, ship speed, and main engine efficiency; the space utilization ratio ($Vg/LPP \cdot B \cdot D$ (the number of container compartments divided by the deadweight)); oil consumption per ton-nautical mile (daily oil consumption/ $DWT \cdot V \cdot 24$); and the gross tonnage/deadweight ratio GT/DWT . Judging in terms of these criteria, the redesign in 1984 of the first Chinese-produced cargo ships for export has raised fuel economy and many other performance indices to levels which are at or close to present world standards. For example, the redesign of 27,000-ton cargo ships reduced the deadweight tonnage by 1,200 tons as compared with the earlier design used in 1981, and oil consumption was reduced to levels comparing favorably with other advanced designs. Another example we may cite the experimental and research work done on linearizing the hulls of 40,000-ton freighters; this streamlining has resulted in ships with hydrodynamic properties that compare favorably with those of ships of the same class produced abroad.

Some of the work on ship design and development has already reached fruition. We may mention the following examples: a 35,000-ton coal ship with a small draft is now ready for operation as a result of preliminary research and design work; work on designing a ship with a water-line plane of small area is well-advanced and awaits only final details; research is also in progress on catamarans, hydrofoils, and hovercraft. Many striking advances have also been made in technical and theoretical areas; for instance, energy use has been decreased by 3-6 percent through research on rounded sterns. Results also indicate that flat-topped ships with spiral-shaped sterns can cut energy consumption by a remarkable 30 percent.

Just recently, the China Ship Corporation sponsored a meeting in Shanghai on the development of new ship types. Judging from the wide variety of ship types discussed and the large number of units present, many high-quality ship designs are now available which are quite advanced both technologically and economically. This indicates that design work should progress quite rapidly if given adequate support.

4. Aspects of Chinese Work on the Development of New Ship Types

The objective of the design work is to ensure that the new ships meet the needs of the departments that will use them. Ship development must therefore be coordinated with the policies of these departments.

Based on an analysis of the principal technical policies for the development of water transportation in China, we conclude that for the foreseeable future, large, medium, and small ships will all be needed; there will be a higher proportion of specialized ocean-going vessels; ships will tend to become larger; passenger ships, coal ships, and oil tankers should undergo particularly rapid development, with container ships used for oceanic, coastal, and inland waterway transportation following close behind. Older, less efficient ships will gradually be replaced by newer ones with better performance; the vast majority of wooden and concrete vessels will become obsolete.

In the future, large amounts of minerals and grains will be imported and coal and oil exported, and many large ocean-going ships will be needed to transport these commodities. China can hope to capture some of the market of these ships if the builders and designers do their work well. In fact, China is already building ships in the 115,000-ton class for foreign trade, as well as 69,000-ton oil tankers, and it is perfectly feasible for us to develop large ships. There are many types of goods available for foreign trade, and the noncentralized mass production system currently prevailing in China is likely to persist; for this reason, multi-purpose cargo ships and hybrid ships continue to be the primary types used for commodity transport, and this is an important feature for ship development in China.

An analysis indicates that tonnage should be increased on some coastal coal- and oil-carrying ships to achieve greater economy; it may be advisable to have more ships in the 20,000-40,000-ton range, and 60,000-ton oil tankers may be needed. The upper weight limit for coastal ships of the hybrid type will remain in the 3,000-5,000-ton range.

Motorized barges, barges consisting of separate sections, and vessels propelled from below or behind will probably be developed further for commodity transportation on rivers. Ship designers therefore cannot afford to neglect work on propellers and barge standardization.

In the area of containerized water transportation, one may see the gradual development of entire systems for oceanic, coastal, and Chang Jiang transportation. Attention must therefore be paid to developing container ships capable of traveling nonstop across oceans, coastal waters, and rivers.

Projections based on the pace of developments in water transportation suggest that in their strenuous efforts to upgrade and make transport ships more economical and suitable for moving commodities by new modes of transport, the navigation departments may require new types of ships. Attention should therefore be given to developing self-unloading transport ships, flat, wide barges, and vessels capable of navigating both rivers and seas; ships to transport bulk chemicals, liquefied natural gas, cement, and fertilizer; refrigerated ships, hovercraft; and ferries for carrying passengers and trains.

In view of the foregoing observations, Chinese efforts should focus on mastering advanced technology. They must rely on scientific and technical advances and be organized to permit the quick development of a few new high-performance ship designs to meet China's shipping modernization needs and make Chinese ships more competitive in the export market. By the end of this century, the overall level of research and development in civilian shipping should match the world-advanced levels projected for the late eighties and early nineties; moreover, it is reasonable to hope that in some respects it will compare favorably with advanced levels reached elsewhere by the year 2000.

China has therefore formulated some short-term plans and some longer-term guidelines for technical development to speed up ship design, develop new ship types, cut energy consumption and deadweight, modernize ship equipment (in particular, by making extensive use of computers), improve construction techniques, develop new ship materials, promote standardization, etc. Some detailed policies relating to ship development have also been drawn up. These are concerned, e.g., with 1) achieving greater profitability by developing standardized commercial ships; 2) using China's stock of conventional transport ships as a base to gradually develop specialized, technologically more advanced ships. Preliminary work has also been done on technical and economic policies concerning other related areas.

The plans call for China to develop and produce within the next few years a wide variety of ships, including cargo ships, oil tankers, container ships, multipurpose freighters, ships that can be automatically unloaded, passenger vessels, roll-on roll-off ships, and all types of fishing trawlers and off-shore engineering ships, as well as ships for transporting lumber, chemicals, and liquefied natural gas. Passenger vessels and ships for transporting coal and oil are of particular importance. As special cases, the research and development plans also cover ships which use sails for auxiliary power, which have water-lined planes of small area, or which have unusually large length/beam ratios. In addition, theoretical and practical research is supported for work on the structure of large ships, energy conservation through improved stern design, and other general problems.

To speed up research on the technically more demanding ship designs, we should plan to combine advanced technology from abroad with research done with inside China.

5. Some Promising New Types of Ships

There are several ship types that are of particular interest; these include flat broad ships, self-unloading ships, ships propelled from behind or below,

ships with sails, ships with flat bows and "spiral-shaped" sterns, ships with large length/beam ratios, transport vessels capable of navigating both rivers and seas, fiberglass vessels tankers for carrying chemicals and liquefied natural gas, and ocean-going trawlers. We may mention the following six types.

A. Flat, Broad Ships

If current trends are any guide, the production of coal, minerals, construction materials, and petroleum and petroleum products in China will increase substantially. Larger ships are advantageous for transporting these commodities, and we have the technology needed to build them. In fact, the average tonnage of Chinese transport ships has been increasing in recent years. However, most coastal waters and harbors in China are shallow, and water depth also restricts transportation on the Chang Jiang and other inland navigation routes. As a result, the maximum admissible draft is too limited to be feasible for vessels of ordinary designs, and very broad boats with shallow drafts are necessary. Ships with extremely small drafts have been built abroad, while a 10,000-ton small-draft ship with B/T = 2.3 has been constructed in China. Experiments and actual experience using these ships indicates that flat, broad ships have good speed, navigability, stability, handle well, and can be operated very profitably. We predict a bright future for these ships in China.

B. Self-Unloading Ships

Self-unloading ships already have an 80-year history outside China. The related technology in the United States, Canada, and elsewhere has reached maturity and highly efficient fleets are in operation. The use of self-unloading ships in the Great Lakes region of the U.S. and Canada has greatly stimulated industrial development there. Current industrial conditions along China's coast and rivers are not unlike those in the Great Lakes at the beginning of this century--the development of industrial bases is urgently needed, transportation problems are critical, and the conventional methods of constructing docking facilities in the harbors would be prohibitively expensive, so that the only available recourse is to seek new ship designs. Self-unloading ships can dock easily and can even unload their cargoes anywhere on beaches or river banks; they have proven highly effective in providing transport on the Great Lakes. We anticipate that self-unloading ships between 600-700 and 100,000 tons will also be highly successful in China, regardless of their size.

C. Auxiliary Sail Power

Ships equipped with sails have been proposed in the last several years and research has been initiated. Test results indicate that ships with sails are perfectly viable. Japan recently began using a 30,000-ton oil tanker equipped with sails and is now designing larger tankers in the 80,000- and 100,000-ton classes. The Japanese results can serve as a useful model for China, where the seasonal distribution, velocity, and direction of coastal winds are favorable for sailing. Chinese computer technology, hydraulics, and research on high-strength, light-weight metals are well enough advanced to support the development of such ships. Oil tankers of the 1,000- and 20,000-30,000-ton classes equipped with sails appear to be well within reach.

D. Ships With Flat Bows and 'Spiral-Shaped' Sterns

These new designs are of a type unique to China, and important theoretical breakthroughs have been reported. In addition to being highly energy efficient, they also have a number of other important features--they do not generate large waves in their wake, and they behave as if they had a "virtual" stern; moreover, they handle responsively, have a large deck area, can navigate extremely shallow water, and can be beached. Compared to these strengths, the disadvantages are relatively minor. We suggest that the navigation departments in China give this type of vessel serious consideration (for instance, they could make large-scale passenger service on the Chang Jiang a reality for the first time).

E. Ships Capable of Navigating Both Rivers and Seas

The Chang Jiang is one of the world's great waterways, and the Zhujiang, Heilongjiang, and some other water systems also have great potential for water transportation. The opening up of the Chang Jiang and inland waterways to navigation will be of incalculable importance for the development of transportation in river regions. Previous plans for developing river vessels gave scant attention to the design of ships capable of directly navigating both rivers and seas, which is currently an important problem. If such boats are developed, they could be used to link inland areas in each province to the sea and to transport goods to waiting ocean-going ships. With suitable design, there should be no problem in accommodating the navigation conditions and large bridges on the Chang Jiang.

F. Fiberglass Ships

Wooden and concrete vessels are becoming obsolete, and the problem of finding materials to replace millions of outmoded small boats cannot be ignored. Fiberglass seems particularly well-suited for this purpose. China has been producing fiberglass for 28 years and thousands of fiberglass vessels have been built, including pleasure craft, lifeboats, workboats, and boats used by the military. There are nearly a hundred fiberglass plants in China that have either constructed or are capable of constructing fiberglass boats. We are capable of manufacturing glass cloth and glass felt and can process resins and other raw materials. Although fiberglass boats appeared first in China, their development abroad has been very rapid; many such boats have been built and are widely used outside China. The great majority of small Japanese fishing vessels use fiberglass, and fiberglass pleasure craft are common in some of the industrially developed countries. If we could reduce the high cost of materials, improve processing techniques, and manufacture fiberglass with better surface quality, fiberglass boats would certainly advance rapidly in China and contribute substantially to exports.

6. Conclusions

The development of new ship types is of paramount importance for the development both of the shipbuilding industry and of ship-using departments. Competition in the world market is currently intense, and Chinese users want reasonably-priced ships with good performance. This imposes severe demands on

China's shipbuilders, and strategies to cope with them must be analyzed and the necessary preparatory work must be actively carried out. The development of new ship designs is an important step in this work and merits serious attention. The primary task in the design of ordinary general-purpose boats is to achieve standardization; for new ship types, efforts should focus on the design of flat broad ships, self-unloading ships, ships equipped with sails, fiberglass ships, etc., which are well-adapted to China's specific needs and can be used by China's shipping departments. The assimilation of new technology from abroad should be encouraged in order to speed up the pace of progress in the research work.

Until recently, no formal attempts were made to technically analyze how work on ship design should be organized and managed, and work along these lines has barely begun. The difficulties here are great but must be faced if China is to overtake the rest of the world. Since this work directly affects the future of the shipping industry and the growth of the shipping departments in China, it is essential that all advisory bodies work together with the plants, institutes, and colleges involved in shipping. In particular, the departments involved in ship research and design should redouble their efforts and make rapid progress.

Because the basic purpose of designing new ships is to serve the ship-using departments, close attention must be paid to the development and requirements of the latter, and to estimating as accurately as possible the new modes of transport and ship types that will be needed. At the same time, new ship design is a dynamic field that must take into account both technical developments abroad and advances in shipbuilding technology in China. It will thus be helpful to first analyze ship designs (both new ones and improvements of existing designs), so that the best can be identified and recommended to the ship-using departments.

The specialists in the shipping departments have had a long and rich experience in the use of ships and can offer penetrating insights into ship design. If these experts can work in concert with the shipbuilders to solve design difficulties, significant advances could surely be made quite quickly. We therefore suggest that the advisory bodies now involved in the development of civilian shipping should invite specialists from the ship-using departments to participate; alternatively, that a commission composed of builders and users be formed to oversee the development of new ship types. We also propose that the China Shipbuilding Engineering Committee and the China Committee on Navigation undertake technical work on the design of new ships on a regular basis; this would enable builders and navigators to compare notes more freely on matters of ship design.

12617/8918
CSO: 4013/51

SMALL SCALE-ENTERPRISES

HUBEI HOLDS CONFERENCE ON TOWNSHIP ENTERPRISES' WORK

HKI271049 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 18 Mar 86

[Excerpts] The 5-day conference on township enterprise work held by the provincial government concluded in Wuchang yesterday. The conference summed up the remarkable achievements the province has made in developing township enterprises during the Sixth 5-year Plan period, over the past 2 years in particular. It formulated a plan for developing township enterprises in the province during the Seventh 5-year Plan period, clarified this year's tasks and targets to fight for, and commended 500 advanced units and individuals, including the Mianyang County Government.

In accordance with the requirement put forth by the provincial CPC Committee and government on rapidly developing town and township enterprises, the participants have exposed contradictions, discovered disparities, formulated measures, and worked out a plan for developing town and township enterprises in the province during the Seventh 5-Year Plan period in accordance with the region's realities and the trends in the development of town and township enterprises. The plan is that by 1990, the total output value of the province's towns and townships will reach 24.5 billion yuan, an increase of 110 percent over 1985 and more than 50 percent of the total rural output value of the province. The annual growth rate of the output value of the region's towns and township enterprises during the Seventh 5-Year Plan period will reach 16 percent, slightly higher than the national average. The output value of the province's town and township enterprises for this year is set at 13.5 billion yuan, and great efforts should be made to achieve 15 billion yuan.

In light of the province's plan for developing town and township enterprises during the Seventh 5-year Plan period and this year's target, the focus of the development of town and township enterprises in the province is to go all out to develop the processing industry of agricultural, sideline, and native products; the building industry; the construction materials industry; labor-intensive industries; the handicraft industry; and products for export to earn foreign exchange. Areas where conditions are ripe should vigorously develop the mining industry and the processing industry in coordination with large industry. It is also necessary for town and township enterprises to vigorously develop the light, textile, and chemical industries for people's daily life and the tertiary industry, in accordance with the needs of the market.

Responsible comrades of the Provincial CPC Committee and government including Qian Yunlu, Li Haizhong, Wang Libin, and Duan Yongkang, delivered speeches or held forums at the conference.

Responsible comrades of the provincial government, the provincial advisory commission and, the provincial CPPCC Committee yesterday attended the conference and awarded silk banners to 50 advanced units.

On the evening of 16 March, responsible comrades of the provincial CPC Committee and government Qian Yunlu, Li Haizhong, and Duan Yongkang held forums at the conference. They listened to reports given by responsible comrades of all prefectures, cities, autonomous prefectures, and relevant departments on the new situation and new problems in vigorously developing town and township enterprises in rural areas at present.

At the forum, Comrade Qian Yunlu fully affirmed the marked results which town and township enterprises in the province achieved last year and praised them for marching forward and making great contributions to invigorating Hubei's economy. He demanded that the participants properly sum up their experiences, further deepen their understanding, enhance their vigor, and make a new development in the province's town and township enterprises this year.

Comrade Qian Yunlu stressed that party rectification should promote economic development and reform. An important problem of ideological understanding should be solved at present in district-level and township-level party rectification in rural areas -- how to correctly view the development of township enterprises. Town and township enterprises mainly rely on market regulation. As for the problems and mistakes which have appeared in the course of developing town and township enterprises, we must draw a clear distinction in policy, make concrete analyses, and deal with things in different ways.

In view of some rural grass roots cadres' worry that developing town and township enterprises might be considered as developing industry to the neglect of agriculture, Comrade Qian Yunlu explicitly pointed out that this is a misunderstanding. He said that this year's Central Document No 1 stresses that it is necessary to strengthen the foundation of agricultural production. Town and township enterprises are peasants' own enterprises. In a broad sense, town and township enterprises are also the foundation of agricultural production and must be strengthened vigorously.

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CS0: 4006/874

SMALL-SCALE ENTERPRISES

FAMILY WORKSHOPS SPRING UP IN ZHEJIANG

OW271020 Beijing XINHUA in English 0738 GMT 27 Mar 86

[Text] Hangzhou, 27 March (XINHUA) -- Family workshops and enterprises jointly run by two or more households in the rural areas around Wenzhou, Zhejiang Province, now employ 700,000 people who formerly lived off the land.

According to a senior official of Wenzhou City Council, such private enterprises number 133,000 and produced goods worth 1.2 billion yuan last year, one third of the city's total industrial output.

They concentrate on "small commodities" ranging from assorted hardware to plastic and textile products.

Services for these private enterprises such as transportation, raw materials purchasing and sales are springing up, and employ another 230,000 former farmers, said the official.

Now Wenzhou has 700,000 of its rural inhabitants in industry and service trades, one quarter of its total rural manpower.

Though the farmers' per capita annual income increased strikingly from 165 yuan in 1980 to 417 yuan in 1985, the grain output in the area dropped by 150,000 tons last year and some farmland went to waste, he noted.

The local government is taking measures to spur grain production, including financial incentives to farmers, he said.

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CSO: 4020/256

SMALL-SCALE ENTERPRISES

JPRS-CEA-86-044
18 April 1986

BRIEFS

SHANDONG TOWNSHIP ENTERPRISES--The total income realized by and township-run enterprises across Shandong Province last year reached 24.19 billion yuan, an increase of 39.4 percent over the previous year. The number of counties whose output value realized by the and township-run enterprises exceeded 100 million yuan increased from 52 in 1984 to 77. [Excerpts] [Jinan DAZHONG RIBAO in Chinese 10 Mar 86 p 1 SK]

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CSO: 4006/874

DOMESTIC TRADE

GUANGZHOU DEVELOPS ROLE OF KEY CITY

HK270427 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 22 Mar 86

[Text] Guangzhou has paid serious attention to playing the role of a key city by developing lateral economic ties at different levels and promoting its economic structure to transform it from a vertical and closed one into a horizontal and open one. Guangzhou is becoming an economic center of south China and a window open to the outside world.

Guangzhou has developed lateral economic ties at three different levels.

1. It has particularly developed lateral economic ties between enterprises in the city, resulting in a great number of new economic combinations involving different trades and ownerships. In accordance with the needs of the market, these economic combinations have readjusted their own organizational structures and product mixes, and have achieved a superiority in increasing famous-brand and fine-quality products and developing products for export.

2. It has developed economic cooperation with the whole province, the counties in the Zhujiang Delta in particular, thus serving economic development in the whole province.

3. It has developed economic relations with neighboring provinces and provinces which have had close economic ties with Guangzhou. This kind of cooperation has not only eased the shortage of raw materials and energy in Guangzhou city, but has also promoted reasonable circulation of commodities.

Vigorously developing the three levels of economic cooperation has increased Guangzhou's economic influence as a central city in other areas. Over the past two years or so, Guangzhou City has established economic cooperation on more than 2,200 items with 26 provinces, cities, and autonomous regions. The investment made in this cooperation amounted to 1.68 billion yuan. Up to now, more than 2,250 units from other parts of the country have come to Guangzhou to run shops and enterprises, further strengthening the role of Guangzhou as a window open to the outside world.

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CSO: 4006/880

18 April 1986

DOMESTIC TRADE

JIANGXI TO ADOPT SPECIAL POLICIES FOR SOUTHERN PART OF PROVINCE

HK140743 Beijing ZHONGGUO XINWEN SHE in Chinese 1440 GMT 12 Mar 86

[Text] Nanchang, 12 Mar (ZHONGGUO XINWEN SHE) -- Jiangxi Provincial Governor Ni Xiance said today: The Jiangxi Provincial Government has decided to open its "southern door" by adopting some special policies in the province's southern part. The 18 counties and cities there will be allowed to open completely to Guangdong province and to freely restore and develop trade, economic and technological exchanges with their neighboring areas.

Ni Xiance made the above remarks when meeting with an economic and technological exchange delegation from Guangdong Province. The Guangdong delegation is composed of 40 officials from Guangzhou, Shenzhen, Shaoguan, and Meixian.

Ni said: The southern Jiangxi area will be freed from the limits of the administrative division and will open completely to Guangdong Province. The rich agricultural, forestry, and animal products in southern Jiangxi, together with large quantities of fresh and live foodstuffs and mineral products, will be sold to Guangdong. He said that this special measure will enrich the supply of agricultural and sideline products on the markets in Guangdong and will also greatly stimulate the development of commodity production and economic activities in southern Jiangxi.

In order to open the door to Guangdong, Ganzhou Prefecture has announced the following measures: Reducing tax, commercial, administrative, price, and forestry department outposts along the provincial border; increasing comprehensive service centers for cross-border trade; establishing more circulation channels by allowing households to engage in transport and wholesale businesses and encouraging business competition; offering favorable conditions to attract more Guangdong enterprises to set up joint ventures with Jiangxi institutions; and developing a number of production bases to meet the needs of Guangdong.

Li Xianglin, head of the Guangdong delegation, also put forward their ideas and proposals for developing economic cooperation with Jiangxi Province.

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CSO: 4006/880

TRANSPORTATION

BRIEFS

FOREIGN SHIPS IN PORT--Nanjing, 26 March (XINHUA)--The opening of Nanjing port to foreign ships was celebrated here this morning as the first foreign ship, a Panama freighter with a cargo of 17,000 tons, was at anchor in the port. Nanjing Port, in Jiangsu Province at the lower reaches of the Yangtze River, has a main channel that can accommodate ships of 10,000 dwt all year round. The Nanjing Port is China's largest inland river port. [Text] [Beijing XINHUA in English 1310 GMT 26 Mar 86 OW]

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CSO: 4020/257

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

USSR STRATEGY TO SPEED DEVELOPMENT EXAMINED

OW301231 Beijing XINHUA Domestic Service in Chinese 1252 GMT 22 Mar 86

[By reporter Wang Chongjie]

[Text] Beijing, 22 Mar (XINHUA) -- Roundup: "The Soviet Union Adopts 'Strategy for Accelerating Development.'"

Between now and the end of the century the Soviet Union will put into effect "a strategy for accelerating socioeconomic development." This is a major policy decision adopted at the recent 27th CPSU congress.

Gorbachev, general secretary of the CPSU Central Committee, speaking at the recent 27th CPSU congress, stressed: "The acceleration of the country's socioeconomic development is the key to solving all our problems." He said, "it is also the central issue drawing the attention of the congress," adding that this issue "is reflected" in the Central Committee's political report, the resolution, and other documents of the congress. This shows that it is a program to be carried out with determination, a program which has a great impact on the Soviet Union's socioeconomic development in the future.

First, let us examine the background of events that have led to the formulation of this "strategy for accelerating development."

In the past 15 years, particularly since the late 1970's and early 1980's, the social and economic situation in the Soviet Union has continued to worsen, and no solutions have been found for a series of acute contradictions. In his political report to the 27th CPSU Congress, Gorbachev pointed out that for "many reasons, first of all subjective reasons, the party's and state's actual performance lags behind the needs of the times and of life itself." He added: "the problems accumulated in the course of national development exceed in number those that have been solved. Laziness, rigid management style and methods, low work enthusiasm, and the rise of bureaucratism -- all this had caused a considerable loss to work in all fields. A desolate scene has begun to appear in social life."

Let us briefly examine the "economic problems accumulated" for many years in the Soviet Union:

The three 5-Year Plans from 1971 to 1985 were not fulfilled, with "output of the majority of industrial and agricultural products" failing to reach the planned targets.

Agricultural production decreased for 7 years successively beginning in 1979. According to plans, the average annual grain output between 1981 and 1985 should have been around 240 million tons, but the grain output in 1983, the best during the 5-year period, was only 190 million tons, a sharp drop compared with the average annual production of 205 million tons under the previous 5-year plan. According to a western report, the Soviet Union imported more than 200 million tons of grain in the past 5 years. Nevertheless, there still is a shortage of nonstaple food, such as meat and dairy products.

Industrial production has been big in scale but low in efficiency. Labor productivity has grown at a slow speed, while the capital recovery rate has dropped; material consumption has risen and the quality of products has been poor.

The gap in the level of scientific and technological development between the Soviet Union and the developed countries in the west has been widening. Advanced industrial departments has been lacking. In particular, timely utilization by the national economy of the results of scientific and technological progress has been seriously hindered by the long road from research to application and the long cycle in equipment replacement and capital construction.

Efforts to curb the declining speed of economic development have failed. During the period of the Fifth 5-Year Plan from 1951 to 1955, the average annual growth rate of the national income was 11.5 percent, but since then it began to decline gradually, with the average annual growth rate in the period from 1971 to 1975 dropping to 5.1 percent, that in the period from 1976 to 1980 to 3.9 percent, and that in the period from 1981 to 1985 to 3.1 percent. During the early 1970's and the beginning of the 1980's, the growth rate dropped to the lowest point since the war, with the annual growth rate hovering at about 2 percent.

"A serious disproportion" has appeared among the various branches of the national economy. "The occurrence of a shortage of resources in an economy that has abundant resources has created a disparity between social demands and production and between demands with payment ability and material satisfaction."

The existing economic management system has hindered the development of productive forces and "can do nothing" to ensure scientific and technological progress and guide the national economy onto the path of intensive development.

For many years the trend, in contrast to the economic strength and scientific and technological level of the United States, has been disadvantageous to the Soviet Union. According to Soviet official statistics, the Soviet Union's national income in 1950 was about 31 percent of that of the United States,

but it went up to 58 percent in 1960, and again to more than 65 percent in 1970. However, it only reached 67 percent in 1980, and since 1980 it has stagnated. the Soviet Union's industrial labor productivity was equivalent to 30 percent of that of the United States in 1950; it rose to 44 percent in 1960, and again to 53 in 1970. However, it only reached 55 percent in 1980, and has also stagnated since 1980. Since 1966 the Soviet Union's agricultural labor productivity has remained consistently at around 20 to 25 percent of that of the United States. If this trend continues, it will be difficult to say when the Soviet Union will be able to reach the economic, scientific, and technological level of the United States.

What are the main goals of the Soviet Union's "strategy for accelerating development?"

In his political report to the 27th CPSU Congress, Gorbachev said: "Today it is a primary task for the party and for the whole people to create a decisive change from the unfavorable tendencies in economic development, and to give the economy the necessary dynamism." He termed the next 15 years "a very important stage of development" for the Soviet Union and "a turning point," and stressed that it "has far-reaching consequences for the destiny of" the Soviet Union because it has a bearing on how "the Soviet Union will move into the 21st century" and on "what will become of the Soviet Union's appearance and status on the international arena." Taking the various circumstances into consideration, it is not difficult to understand the intention of the Soviet Union's general strategy.

According to the "strategy for accelerating development," the Soviet Union will strive to fulfill the following main economic targets by the end of this century: Doubling the national income; increasing the industrial output value by at least 100 percent; raising labor productivity from 130 to 150 percent; creating in the next 15 years an economic potential that is equivalent to the entire economic potential built in the past 60 years and more; increasing per capita real income from 60 to 80 percent.

Gorbachev pointed out that this is not only aimed at "accelerating the economic growth rate" but also at "essentially improving quality." Therefore, it is necessary, he said, "to carry out a thorough transformation of the national economy" by applying the latest scientific and technological achievements and by reforming the economic structure in order to enable the national economy "to quickly advance in the direction of intensive production and toward raising quality and efficiency." Obviously, this is a fairly arduous and complex task.

What are the Soviet Union's basic means and measures for realizing this "strategy for accelerating development?"

To transform backwardness and accelerate development, it is necessary to carry out reforms. This is an important conclusion that has been verified by the experience in reform in many socialist countries. It has been noted that at the recent 27th CPSU Congress, calls for reform turned out to be the main theme. Gorbachev repeatedly stressed that "the situation calls for reform," noting that "to carry out creation and innovation, it is necessary

to undertake fundamental reform" and "to effect a real revolutionary change." he also said that the 27th CPSU Congress "was filled with the spirit of innovation." In their speeches at the congress, many delegates also stressed the necessity and urgency of reform.

The resolution and other documents adopted at the 27th Congress indicate that the Soviet Union plans to carry out reform and effect changes in many aspects:

First, it is determined to transform the national economy from extensive operation to intensive development. The essence of this transformation lies in "shifting the focal point from quantity targets to quality and efficiency, from intermediate results to final results, from expanding production funds to replacing production funds, from increasing fuels and raw materials to raising utilization efficiency and to developing technology-intensive departments and productive public infrastructure." This also directly calls for a change in structural and investment policies. To achieve this goal, the Soviet Union has made many important arrangements in its plan. A number of Soviet economists have pointed out that to carry out such a transformation is more difficult in every respect than the socialist industrialization the Soviet Union achieved in the past.

Second, it intends to vigorously speed up scientific and technological progress. Progress is to be achieved in some key areas in order to tighten the ties between science and production, "to ensure a real revolutionary change in the development of technology and techniques," and to reform the productive forces with emphasis on raising quality. To achieve this, the Soviet Union has formulated a comprehensive plan and also adopted a series of specific measures.

Third, it plans to carry out overall reform of its planning and management systems. Gorbachev explicitly pointed out: "The situation is now such that we cannot limit ourselves to partial improvements. Radical reform is necessary." The basic guidelines for transforming and economic mechanism are: to strengthen the role of centralized leadership in achieving the basic aims of the economic strategy and in defining the tempo and proportions of development, and stop interference with the operational activity of subordinate economic units; to resolutely give enterprises greater decision-making powers, shift them to complete economic accounting, being responsible for their own profits and losses, and raising their own capital, and make the level of the collective's income directly dependent on its work efficiency; to switch over to economic methods of management at all levels of the national economy, restructure material and technical supply, and improve the system of price setting, financing, and credit; to give management a modern organizational structure, and follow the tendency of concentration and specialization in production and toward co-production by setting up economic associations and joint corporations of various forms; to rationally combine departmental and regional management; and to democratize management. At present, experimental reforms are being actively carried out throughout the country. They include large-scale experimentation in expanding the autonomy of enterprises in industrial, service trade, construction, and transport departments; popularization of the systems of production teams, production groups, and household contracts; and exploration of how to enhance the initiative of

scientists and technicians. The general situation shows that the main trend is toward reform.

Fourth, it plans to readjust foreign economic relations, make them closely serve the "strategy for accelerating development," and in particular gear them "to the needs of scientific and technological progress."

Fifth, it plans to readjust social policies and reform outmoded conventions in the superstructure which obstruct economic development. In particular, it plans to "renew the work style and methods of political and ideological organs," and "resolutely eliminate laziness, stagnation, and conservatism, or anything that obstructs social progress."

The Soviet Union is a country with great economic, scientific, and technological potential. It surely can accelerate its social and economic development if it firmly carries out necessary reforms. However, during the "period of change" in the days to come, whether it can remove resistance to reform and how it handles the contradiction "between guns and butter" will no doubt have an important effect on its implementation of the "strategy for accelerating development."

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CSO: 4006/882

HONG KONG

PRC'S BANK OF COMMUNICATIONS MAY ENTER FUND MANAGEMENT

HK180821 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Mar 86 p 2

[Text] The Bank of Communications, a member of the Bank of China [BOC], group, is studying plans to enter the fund management business as another major step to expand its merchant banking operation.

Business News understands the Chinese Bank is seeking opportunities in provident fund and unit trust market, and plans are in the pipeline to strengthen the bank's investment management capabilities.

Banking sources said although the BOC group is a dominant force in the retail banking sector, investment banking is a relatively new area for it. However, it is a sensible move for the bank to explore the fund management business.

Many foreign banks in Hong Kong-run fund management operations are becoming more active in unit trust and provident fund management, the areas in which the Bank of Communications apparently shows keen interest.

Bankers said the vast amount of idle funds in the market means banks must provide customers with more ways of investing their money, and this has prompted some to develop unit trust activities.

With its vast retail network and close relationship with China-owned enterprises in Hong Kong, the BOC group is in a good position to offer pool provident fund schemes and unit trust services.

However, since the group lacks experience in investment management, it may need to employ the expertise of other foreign banks, the bankers said.

It is believed a number of foreign banks may be interested in forming joint ventures with the BOC group to explore business opportunities in these areas.

The Bank of Communications is one arm of the BOC group which has actively expanded its treasury and capital market activities.

The bank took a lead in its \$250 million certificate of deposit issue which is to be signed today, and is planning a second issue which will probably amount to \$500 million.

HONG KONG

PRC BANK MANAGER URGES TAPPING HONG KONG CAPITAL MARKET

HK190234 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)
in English 19 Mar 86 p 1

[Text] China-owned enterprises in Hong Kong should be encouraged to tap the rapidly developing local capital market, said Mr Shi Meinao, general manager of the Bank of Communications, a member of the Bank of China [BOC] group.

Mr Shi was speaking yesterday after the Bank of Communications signed a \$250 million fixed-rate certificates of deposit agreement with 25 financial institutions.

Following the expansion of its treasury and capital market operations since the middle of last year, the bank has been looking for opportunities to widen its wholesale and merchant banking business, he said.

It has already introduced European Currency Unit desposits, currency futures and options services.

Fund management is another possible area but further study is needed before the bank can devise a concrete plan, he said.

Mr Shi said the bank's maiden CD issue was to see how the market would react to paper issued by a BOC unit.

He said the result has been very satisfactory and, depending on funding needs, the bank may consider making a second issue.

He said as far as he is aware, other BOC group members are also interested in issuing CDS in Hong Kong.

The Bank of Chian's Hong Kong branch has just launched a U.S. \$150 million fixed-rate CD.

Although the BOC group has a sizeable deposit base in Hong Kong, the issue of CDS is still a good way of raising funds for China projects.

The Bank of Communications will use the funds from its CD issue to finance local projects undertaken by China-owned enterprises, he said.

The \$250 million CD was launched in the middle of last month and was oversubscribed by \$65 million despite some market criticism of pricing.

The three-year issue carries a coupon of 8.15 percent, payable quarterly.

It was arranged by BT Asia, a wholly-owned subsidiary of Bankers Trust Co.

As a sign of support for the issue, Mr Qiao Zonghuai, vice secretary-general of the New China News Agency, and Mr Lam Kwong-siu, deputy chief executive of Bank of Chian's Hong Kong and Macao regional office, attended the signing ceremony.

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HONG KONG

HONG KONG REJECTS CALL FOR FREEZE ON TEXTILE EXPORTS

HK211159 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)
in English 21 Mar 86 p 1

[By Paul Baran]

[Text] The Hong Kong Government has rejected America's request for a voluntary freeze on the territory's overall textile exports to the U.S. based on last year's levels.

The move was announced last night by the Trade Department after the abrupt conclusion of two days of talks between Hong Kong and U.S. textile negotiators on the territory's export levels to the U.S. The talks had been expected to continue today.

Although the Hong Kong statement said both sides were willing to continue the discussions at a later, unspecified date, it is clear the U.S. team emerged the loser in the first round.

However, the team's failure to win concessions from Hong Kong will only further fuel protectionist pressure at home on the U.S. administration to dig in its heels for a tighter deal in the upcoming Multi-Fibre Arrangement negotiations in Geneva.

There are already plans in Congress to try to override President Ronald Reagan's veto of the protectionist Jenkins Bill in August if the MFA talks do not go the United State's way.

The current MFA, the third, expires at the end of July and is now under renegotiation.

There was no comment on the talks from the U.S. side, which has already asked Taiwan and South Korea for a similar, three-year freeze. South Korea also rejected the call.

Reviewing the talks, a Trade Department spokesman said the U.S. delegation highlighted its concern over imports of both MFA and non-MFA items and "proposed a more restrictive regime based overall on the 25 trade levels."

Under the existing five-year Hong Kong-U.S. bilateral textile agreement, which expires at the end of next year, annual growth levels ranging from 0.5 percent to two percent are allowed for cotton, wool and certain man-made fibre exports to the United States.

Non-MFA items, such as silk, ramie, linen and jute, are not bound by quotas as they are not covered by any agreement. The U.S. request for a freeze apparently included these items, exports of which to the United States showed unprecedented growth last year.

The spokesman did not say if the United States asked to bring forward the expiry of the agreement, but noted that any request for changes was not compatible with the present terms.

In the run-up to the talks, there were widespread fears within the local industry that the United States would bring forward the expiry by a year, a development that would have played havoc with garment delivery schedules now being negotiated between manufacturers and buyers.

According to the spokesman, Hong Kong's team, led by Director of Trade Hamish Macleod, told the United States that the figures it was using to support its case did not add up.

Hong Kong, the team pointed out, accounted for only four percent of the rise in the United States' overall imports of MFA items between 1981 and last year, while 95 percent of the territory's apparel exports were already under quotas, the spokesman said.

On that basis, the spokesman said, Hong Kong "queried the rationale of selecting Hong Kong for specially restrictive treatment."

Hong Kong's garment and textile exports to the United States last year totalled more than \$25 billion.

The eight-man United States team, led by Special Trade Representative Ambassador Charles Carlisle, was also told that its request for a tighter deal "was incompatible" with the developing countries' case for the progressive liberalization of the next MFA and ran counter "to the aims of the proposed new General Agreement on Tariffs and Trade multilateral trade negotiations."

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HONG KONG

HONG KONG GOVERNMENT, CITIC TO SIGN DEAL ON KA WAH BANK

HK211209 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 21 Mar 86 p 3

[Text] The Government will shortly sign an agreement with China International Trust and Investment Corp [CITIC] providing a counter-guarantee on the bad loans of Ka Wah Bank.

The detailed terms of the agreement will be kept confidential because the counter-guarantee is purely a deal between the Government and CITIC, official sources said.

Ka Wah announced a fortnight ago that CITIC has agreed in principle to inject new equity amounting to \$350 million into Ka Wah after a capital reduction of the bank.

One condition of the proposal was that the Government issue a counter-guarantee to CITIC on the collectability of the existing loans of Ka Wah and its subsidiary finance company within a period of not more than three years.

Sources said CITIC will probably sign an agreement with the board of Ka Wah next week. Under the agreement, the bank's major shareholders, the Low family, will accept and recommend the offer by CITIC to all shareholders.

A document containing full details will then be sent to shareholders before they vote on the proposal.

It is standard practice that the party making an offer for a publicly listed company has to first secure agreement from the major shareholders and the board of the target company before putting a formal offer to all shareholders.

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